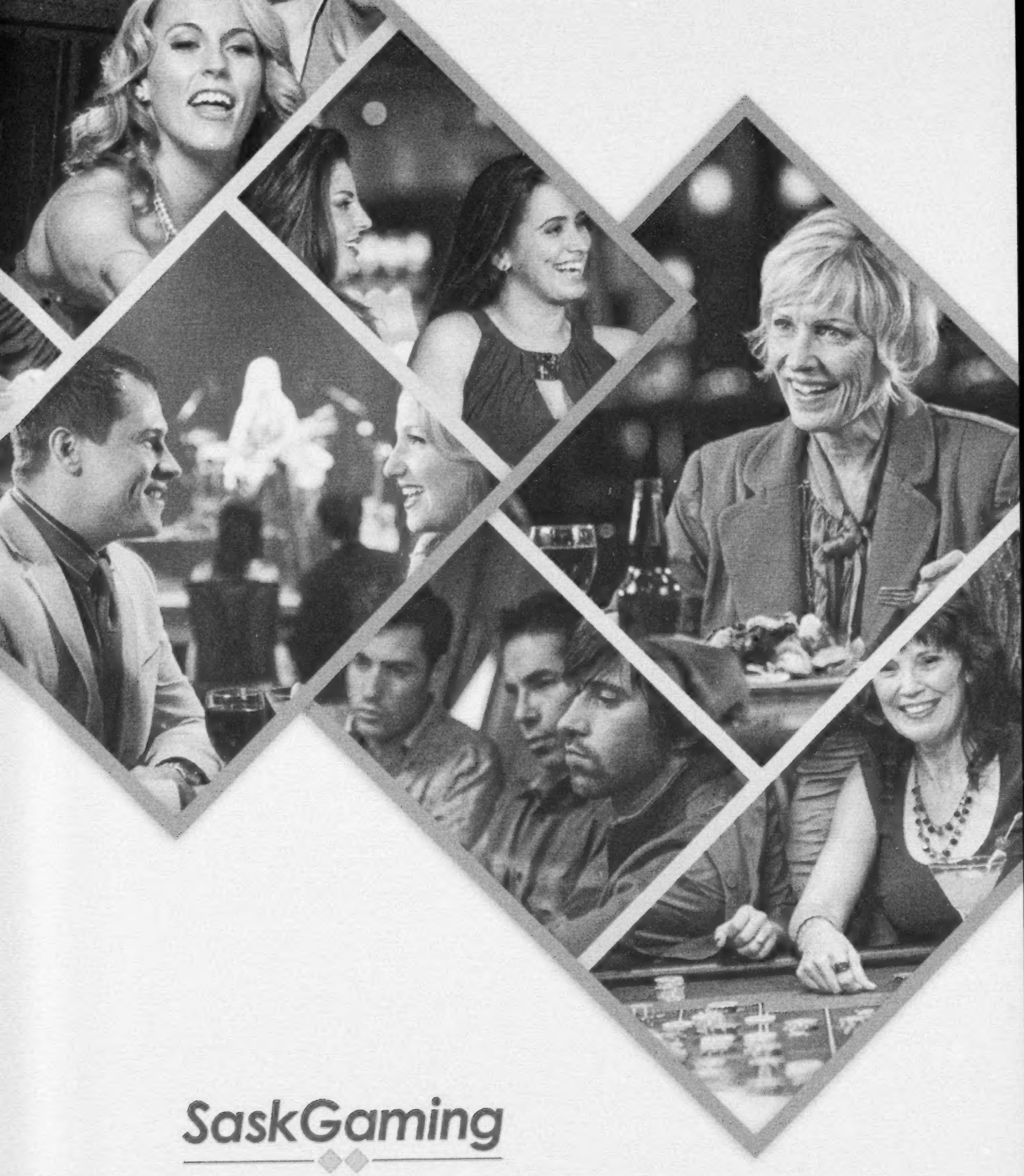


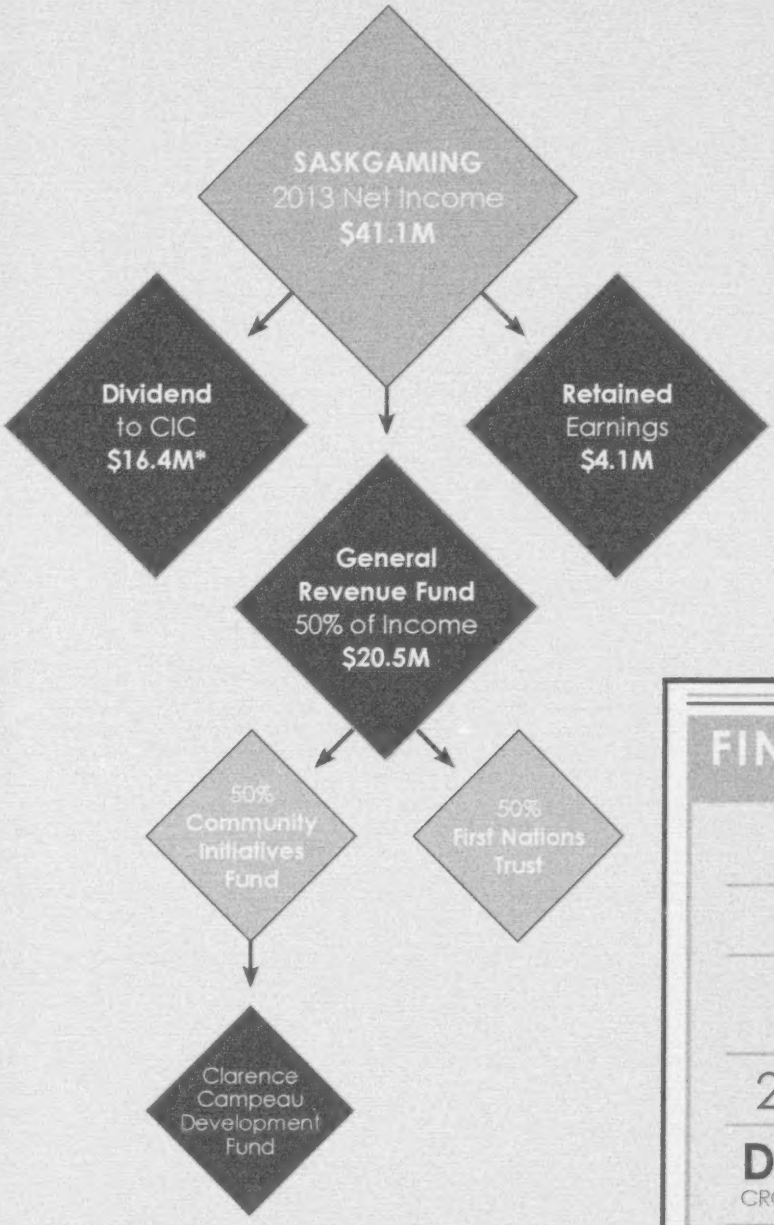
# SaskGaming

## 2013 ANNUAL REPORT

Next ▶

# PROFIT SHARING

SaskGaming's profits support Aboriginal communities and organizations throughout Saskatchewan, with half of our net income paid to the General Revenue Fund each year to support the provincial government's commitment to the First Nations Trust and the Community Initiatives Fund. See page 57 for details.




* SaskGaming's declared dividend to CIC is set each year as a percentage of the corporation's net income after payment to the GRF.

# OPERATIONAL HIGHLIGHTS

| | |
|---|---|
| **TOTAL GUEST COUNT** | **3,602,990** |
| Casino Regina | 2,862,712 |
| Casino Moose Jaw | 740,278 |
| GUEST SATISFACTION | 80.5% |
| MYSTERY SHOPPER | 93.0% |
| GUEST OPINION ABOUT SAFETY ON PREMISES | 86.9% |

In September, SaskGaming revamped its **Players Club Program** with tier levels and associated benefits, the ability to check points balance online and introduced a new VIP Lounge for players at the highest tiers.

SaskGaming implemented **GameSense** in May – a world-class responsible gaming program that combines responsible play education with information on the risks associated with gambling.

In November, Casino Regina and Casino Moose Jaw became the first gambling facilities in Saskatchewan to earn **RG Check Accreditation**.

An **organizational restructure** in October centralized management of the two casinos and streamlined corporate administration, resulting in a reduction in the out-of-scope workforce.

# FINANCIAL HIGHLIGHTS

($ MILLIONS)

| | |
|---|---|
| **REVENUE** | 127 |
| 85.9 | **EXPENSES** |
| **NET INCOME** BEFORE PAYMENT TO THE GRF | 41.1 |
| 20.5 | **PAYMENT** TO THE GRF |
| **DIVIDEND** DECLARED TO CROWN INVESTMENTS CORPORATION | 16.4 |

SaskGaming provided **$640,071 in donations, sponsorships and in-kind support** to 97 organizations in the communities where it operates. 21 per cent supported Aboriginal people and programs.

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# SaskGaming Vision, Mission and Values

## Vision

SaskGaming is the recognized leader in providing gaming entertainment in Saskatchewan.

## Mission

We offer outstanding gaming entertainment for our guests in a socially responsible manner, generating quality employment, economic benefit to the community, and profit for Saskatchewan people in partnership with First Nations.

## Values

- **Respect** - We embrace diverse backgrounds. People matter and we treat everyone as we expect to be treated.
- **Integrity** - We are honest, fair and honour our commitments. We accept responsibility for our actions, both personally and professionally.
- **Passion** - We feel strongly about achieving our goals and it shows in our enthusiasm for everything we say and do.
- **Innovation** - We are committed to continuously improve our products, processes, skills and knowledge. To remain competitive, we continually improve all aspects of the business.

# Letter of Transmittal

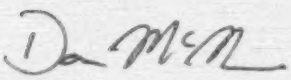
Regina, Saskatchewan
March, 2014

To Her Honour,
The Honourable Vaughn Solomon Schofield, S.O.M., S.V.M.
Lieutenant Governor of Saskatchewan

Your Honour:

I respectfully submit the Annual Report of the Saskatchewan Gaming Corporation for the year ended December 31, 2013, in accordance with *The Saskatchewan Gaming Corporation Act*. The financial statements are in the form approved by the Treasury Board, and duly certified by auditors for the Saskatchewan Gaming Corporation.

Respectfully submitted,



Honourable Don McMorris
Minister Responsible for Saskatchewan Gaming Corporation

# Message from the Chair

2013 was a challenging year for SaskGaming financially and operationally that resulted in a reduction in the out-of-scope workforce at the corporation.

To understand this decision, it's important to look at the environment SaskGaming is operating in. The casino gaming industry in Canada has reached a mature stage in the market cycle, experiencing flattening or declining revenues. That's also true for Casino Regina and Casino Moose Jaw.

The Board has been overseeing corporate efforts to achieve greater efficiency and effectiveness for the past several years. With a decline in revenue experienced in 2013, the Board supported management's difficult decision that further steps needed to be taken to address the new market conditions.

While not in the same growth position as several years ago, SaskGaming remains a strong business with substantial profits that make a positive impact on the province. In particular, SaskGaming's Community Relations Program is enhancing the quality of life for Saskatchewan people and communities.

In 2013, SaskGaming provided $640,071 in donations, sponsorships and in-kind support to 97 organizations in the communities where it operates. Special focus is given to Aboriginal communities and organizations, with $134,507 in sponsorships provided to organizations whose mission is to support Aboriginal people (that's 21 per cent of SaskGaming's overall Community Relations budget).

Another strong focus for the corporation and the Board in 2013 was the establishment of the Aboriginal Workforce Team. Two Board members – Ron Bruck and Patricia Thomson – joined a cross-section of employees in developing a strategy to achieve SaskGaming's goals for Aboriginal representation. The strategy outlines priorities and action plans over a three-year period to ensure SaskGaming remains welcoming and supportive to recruitment and retention of Aboriginal people.

The diversity of SaskGaming employees is one of the corporation's clear strengths and it is committed to generating quality employment opportunities. Along with providing over $10,500 in scholarships for Aboriginal people, over 40 per cent of SaskGaming's workforce is of Aboriginal descent. SaskGaming also reflects Saskatchewan's growing and evolving population with 4.4 per cent of the workforce being persons with disabilities and 14.5 per cent who are visible minorities.

On behalf of the Board of Directors, I thank the management and staff at Casinos Regina and Moose Jaw for their achievements over the past year. I am confident your efforts will continue to provide benefits to the people of Saskatchewan in the coming year.

Wes Becker
Chair of the Board of Directors

# Message from the President and CEO

Getting back to basics has been the focus for SaskGaming throughout 2013, and has been our mantra since an organizational restructure occurred in October.

During the first few months of the year, we found ourselves facing declining revenues and a new market reality. Casino Regina was the first full-service gaming facility in Saskatchewan when it opened its doors in 1996, followed by the opening of Casino Moose Jaw in 2002. As the first of their kind in the market, the casinos regularly experienced double digit growth in their early years. Since then, the market has matured and both casinos have experienced flattening revenue over the past few years, and declining revenue in 2013, requiring aggressive expense management.

It was time to take a close look at our organization, how we do things and how we are structured.

Following a review of SaskGaming operations and comparisons to other casinos similar in size, a new organizational structure was developed that follows best practices and positions the organization for continued success in a mature market.

Overall, SaskGaming centralized management of the two casinos and has become more efficient in corporate administration. The new structure resulted in job loss for 55 out-of-scope employees in management and administrative roles. This was a very difficult decision, and impacted great people that have made strong contributions to SaskGaming over the years. Job loss is a sad reality that occurs as organizations evolve to remain successful in the long term.

As a result of the mature market conditions, and the costs of the restructure, 2013 Net Income before Payment to the General Revenue Fund was $41.1 million. This represents a decrease from the $52.6 million attained in 2012.

SaskGaming is focused on getting back to basics in our business and providing excellent guest service at Casinos Regina and Moose Jaw. The successful launch of the new Players Club Program in September and the opening of the new VIP Lounge at Casino Regina are among the many examples of ways we are getting back to basics and providing our guests with an excellent experience every time they step into one of our properties. Feedback from guests indicates the new tier levels and associated benefits of the Players Club (including the ability to check their rewards points balance online) has been well received by members. Our VIPs are enjoying the new lounge.

Exceeding the expectations of our guests is our top priority, so we are always refreshing our products and gaming options to better meet their needs. Enhancements in 2013 included a new atmosphere strategy with new music, lighting and a soft new scent on the gaming floor, new self-serve promotional kiosks, updated food and beverage offerings at Casino Regina and the replacement of 201 slot machines and addition of 54 new machines offering a dynamic selection of games.

Getting back to basics also applies to our employees, and means providing them with effective training programs. Following the restructure, we have been focused on ensuring those impacted (whether it be adjusting to new job roles or learning new processes) have the knowledge, skills and training they need to be successful going forward.

The corporation has also been committed to providing every employee with core training important to their role. We set a modest goal of 20 per cent completion of core training in 2013, and far surpassed that goal with over 38 per cent completion at the end of the year. That result speaks volumes about our employees' dedication to serving our guests and their own passion for learning.

2013 was an especially strong year for SaskGaming's responsible gaming initiatives. The corporation follows best practices in responsible gaming, and implemented the internationally-recognized GameSense Program in May 2013. GameSense combines responsible play education with information on the risks associated with gambling, and communicates it in a friendly and engaging manner.

In November, Casino Regina and Casino Moose Jaw became the first gambling facilities in Saskatchewan to earn Responsible Gambling (RG) Check Accreditation. Receiving this accreditation affirms the work the corporation has done over the years to develop our responsible gaming policies and program, and encourages the continuation of that very important work.

Looking ahead to 2014, SaskGaming will continue to reinforce our commitment to the guest, which is truly the foundation of our business. It's our employees who provide an "Always Entertaining" experience for our guests and their dedication to this goal will ensure the continued success of Casinos Regina and Moose Jaw in the future.

Twyla Meredith, CMA, FCMA
President and CEO

# SASKGAMING YEAR IN REVIEW

## Guest Experience

***We continually strive to exceed our guests' expectations.***

### Guest Service

Providing an excellent guest experience is a top priority at Casino Regina and Casino Moose Jaw. We are always refreshing our products and gaming options to better meet our guests' needs and deliver an "Always Entertaining" experience. In 2013, this meant we updated our food and beverage options, enhanced our atmosphere and added more games to the floor.

Early in the year, an atmosphere strategy was implemented at Casinos Regina and Moose Jaw, which focused on the music we play and on the scents that are used within the properties. We developed a new music schedule and introduced a non-allergenic scent system to create a pleasing and inviting environment for our guests. We also introduced televisions in the table games pits so our guest can enjoy the latest sporting news and events.

SaskGaming also made enhancements on the gaming floor. Throughout 2013, we replaced 201 slot machines and added 54 slot machines. These changes help us meet demand in peak periods and ensure we have a dynamic selection of machines available for our guests. We also responded to guest demand at our popular Touch Bet Roulette terminals to allow play on two live roulette tables at once. These terminals are so popular that in 2014 we are planning to expand the number of Touch Bet Roulette terminals and introduce Touch Bet Baccarat terminals as well.

The effort to improve guest service didn't stop at the gaming floor, as we also made enhancements to our entertainment and food and beverage areas. In 2013, we introduced the option to print Show Lounge tickets from home. Our guests are now able to conveniently select their seats, pay for their tickets and print their tickets at home. Changes to food and beverage outlets at Casino Regina included an updated menu at the Last Spike restaurant and the addition of premium beer and wine selections at the Whistle Stop Café.

### Players Club

The Players Club is the loyalty program at Casinos Regina and Moose Jaw. In 2013, we used guest feedback to develop a new program that better meets our guests' expectations, with the ultimate goal of giving our guests the best possible casino experience.

The enhanced Players Club offers a new, easy-to-understand tiered benefit system to help our guests get the most out of their Players Club Membership. Members now belong to tiers based on the number of Players Club Points they accumulate. These tiers help guests easily understand the benefits they are entitled to receive. We also introduced online capabilities so Players Club Members can check their tier and Players Club Points balance at our website.

We also introduced a new benefit to Players Club Members at the highest tiers - the VIP Lounge. The VIP Lounge offers a comfortable space for guests to relax when they want to take a break from the gaming floor, enjoy snacks and beverages, and watch television.

### Promotions and Events

Throughout 2013, Casinos Regina and Moose Jaw were abuzz with the year-long Lucky 13 promotion. A series of monthly contests led to a number of exciting prize giveaways including a 2013 Audi A5, a trip of a lifetime valued at nearly $30,000, two electronic packages valued at over $20,000 each, and more.

Many promotions incorporated the new Players Club Kiosks that were introduced to our properties. These easy-to-use and interactive kiosks, seven at Casino Regina and one at Casino Moose Jaw, allow our guests to quickly and easily take full advantage of their Players Club Membership. At the kiosks they are able to print entry forms for draws, redeem coupons, play games and win prizes. The Players Club Kiosks were incredibly popular, with over 550,000 kiosk interactions initiated by guests since their introduction in January. The kiosks proved so popular that additional kiosks will be installed in Casino Regina and Casino Moose Jaw in 2014.

The 101st Grey Cup was hosted in Regina and was an exciting time for Casino Regina in November. Casino employees got in the spirit by sporting their CFL gear for the week leading up to the big game, guests had the chance to play a Roughrider-themed slot machine and special Celebration in Rider Nation table felts and gambling chips added to the fun atmosphere. The most exciting moment of the week was the Breakfast of Champions, featuring football greats Michael "Pinball" Clemens, Marcus Allen, Damon Allen, Don Narcisse and George Reed. After a panel discussion, guests had the opportunity to meet them. The event was a great way to kick off Grey Cup weekend in Regina.

## Employee Experience

***We offer an excellent experience to a diverse workforce where careers can begin and grow.***

### Recognizing our Employees

Our employees come from a variety of backgrounds and do a multitude of jobs. From slot technicians to bank cashiers to bartenders – the range of services available at Casinos Regina and Moose Jaw means that we offer an array of careers.
For some employees these careers provide quality employment with competitive pay and comprehensive benefits, for others it's a great job to balance with school and studies.

We care about our employees and want to ensure they have the best possible experience at work. That means we celebrate success. Because our workforce is so unique, we offer a flexible employee recognition program to reward and celebrate employee achievements and contributions. The corporation provides managers and supervisors with guidelines that help them develop a program that works for their staff.

### Workplace Diversity

We're proud to be one of the most culturally diverse workplaces in Saskatchewan. With a workforce of over 900 employees, we lead Saskatchewan's public sector with over 40 per cent Aboriginal representation across our company. SaskGaming also reflects Saskatchewan's growing and evolving population with 4.4 per cent of the workforce being persons with disabilities and 14.5 per cent who are visible minorities.

Our diversity is one of the corporation's clear strengths and we are committed to establishing and protecting a culture of inclusion where everyone has a sense of belonging, where everyone can succeed and where all can make a valued contribution.

SaskGaming has an Aboriginal Employees Network (AEN) that supports and promotes the inclusiveness and awareness of First Nations, Métis and Inuit culture, history, beliefs and traditions. AEN's objectives include sharing ideas, celebrating culture and working together to create opportunities to help their members achieve success both at home and work.

SaskGaming closely monitors recruitment, selection, exit processes and strategies in an effort to retain Aboriginal employees. We also have established partnerships with community agencies, training centres, post-secondary institutions and communities in order to strengthen recruitment of First Nations and Métis candidates.

In 2013, SaskGaming created the Aboriginal Representative Workforce Team, comprised of Aboriginal employees and Board members. The team worked together to develop a strategy that outlines priorities and action plans over a three-year period to ensure SaskGaming is welcoming and supportive to recruitment and retention of Aboriginal people. Going forward, the team will work to strengthen SaskGaming's presence in Aboriginal communities, provide input into Aboriginal representation planning and will implement a workplace diversity awareness campaign.

### Training

SaskGaming provides mentoring, coaching and development opportunities so that our employees can experience success. We support our employees in the achievement of their objectives by ensuring each person has a clear description of what is expected and what success looks like.

Our learning and development programs have enabled employees to develop leadership capacity, which drives employee engagement, attraction and retention and enables staff to exceed guest expectations. In 2013, core training modules were developed to help employees and managers clearly identify what each employee needs to do their jobs and what they are interested in learning in the future. Our employees have embraced these training opportunities to such an extent that we achieved 38.3 per cent completion of core training – almost double our target of 20 per cent.

## Social Responsibility

***We demonstrate good corporate citizenship and employ gaming industry best practices.***

### GameSense

In 2013, SaskGaming adopted GameSense – a world-class responsible gaming program that combines responsible play education with information on the risks associated with gambling. GameSense has a solid track record of raising awareness of responsible gaming programs among customers and employees in other jurisdictions and has already increased awareness of responsible gaming at Casinos Regina and Moose Jaw.

The GameSense tools provide information in an innovative way, using tools such as interactive kiosks and displays on the gaming floors. It also includes traditional tools like pamphlets and advertising to talk about safe gambling practices, playing within limits and how games of chance work.

Our team of GameSense Advisors also offer personal and confidential support and resources. The new program allows the advisors to take a friendlier approach to responsible gaming making it less intimidating for guests to seek help in person.

## RG Check Accreditation

In 2013, Casinos Regina and Moose Jaw became the first gambling facilities in Saskatchewan to earn RG Check Accreditation. RG Check is the Responsible Gambling Council's Responsible Gambling (RG) accreditation program.

The accreditation process took over a year to complete and countless hours of preparation and work. Throughout the process of accreditation, Casinos Regina and Moose Jaw were subject to documentation review, staff surveys, guest surveys, mock self-exclusion exercises, on-site interviews and physical reviews of each casino's gaming floor and back-of-house areas. RG Check staff assessed both casinos independently and both casinos earned the accreditation on their own merit.

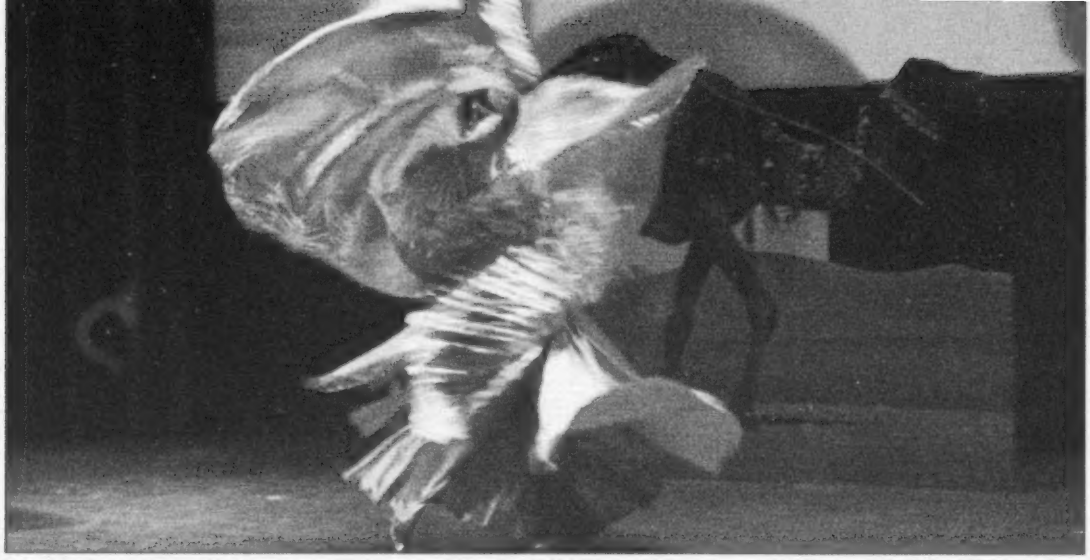
## Community Relations

SaskGaming supports charities, events and organizations that align with our giving priorities. We use four key areas of support to determine which programs, events and organizations to support financially. The areas include strengthening our community, promoting community pride, supporting Saskatchewan's growth through partnership and Aboriginal people.

In 2013, SaskGaming provided $640,071 in donations, sponsorships and in-kind support of community groups. Special focus is given to Aboriginal communities and organizations, with $134,507 in sponsorships provided to organizations whose mission is to support Aboriginal people (that's 21 per cent of SaskGaming's overall Community Relations budget).

Some of the major sponsorships that Casinos Regina and Moose Jaw supported were the Moose Jaw Health Foundation's Mosaic Concert of Hope, the Saskatchewan Roughriders Labour Day Classic, the Regina Pats' First Nations and Métis Awareness Night, the First Nations University of Canada Powwow and the Junos.

SaskGaming also supports its employees who donate their time and money to charitable organizations though the Dollars for Do-Gooders and Employee Match Programs. Dollars for Do-Gooders supports individual employees who donate personal time to registered charities. The Employee Match Program supports groups of employees fundraising on behalf of a charity. In 2013, SaskGaming donated $14,598 through these programs to a wide variety of groups including Bright Eyes Dog Rescue, Chili for Children, People for Animals of Saskatchewan and many more.



### Charity Royale

Charity Royale is Casino Regina's signature fundraising event. Founded in 2011, Charity Royale is an annual event hosted in the Casino Regina Show Lounge that raises funds for a local charity. In 2013, the event raised $92,000 for the George Reed Foundation. The foundation helps disabled and disadvantaged people who are physically and intellectually challenged. Guests were treated to entertainment, fine food and a silent auction at the Arabian Nights themed evening, all while supporting a great cause.

## A Sustainable Corporation

***SaskGaming demonstrates good governance, integrity and sound management practices to ensure the long term sustainability of the corporation.***

### Organizational Structure

SaskGaming has been facing a maturing market with flattening revenue over the past few years, and declining revenue in 2013, requiring aggressive expense management. In 2013, Net Income before Payment to the General Revenue Fund was $41.1 million, a decline of $11.5 million compared to 2012.

This market situation is not unique to SaskGaming. The entire gaming industry in Canada has reached a mature stage in the market cycle, experiencing flattening or declining revenues.

To ensure the long-term success of SaskGaming, the corporation implemented an organizational restructure in October that resulted in job loss for 55 out-of-scope employees in management and administration. The new structure was developed following a thorough review of SaskGaming operations and comparisons to other casino organizations similar in size to SaskGaming. Executive worked through the implications of seeking greater efficiency, and consolidated functions across both Casino Regina and Casino Moose Jaw. The resulting structure follows best practices and positions the organization for continued success in a mature market.

Overall, SaskGaming centralized the management of the two casinos and has become more efficient in corporate administration. It's about getting back to basics and providing excellent guest service at Casinos Regina and Moose Jaw.

Implementing the new structure and helping employees through the change was a focus for senior management since the announcement. Building a strong foundation with clear processes and procedures was critical to the transition plan and to the long-term sustainability of the corporation. Work in this area will continue throughout 2014.

## Integrity

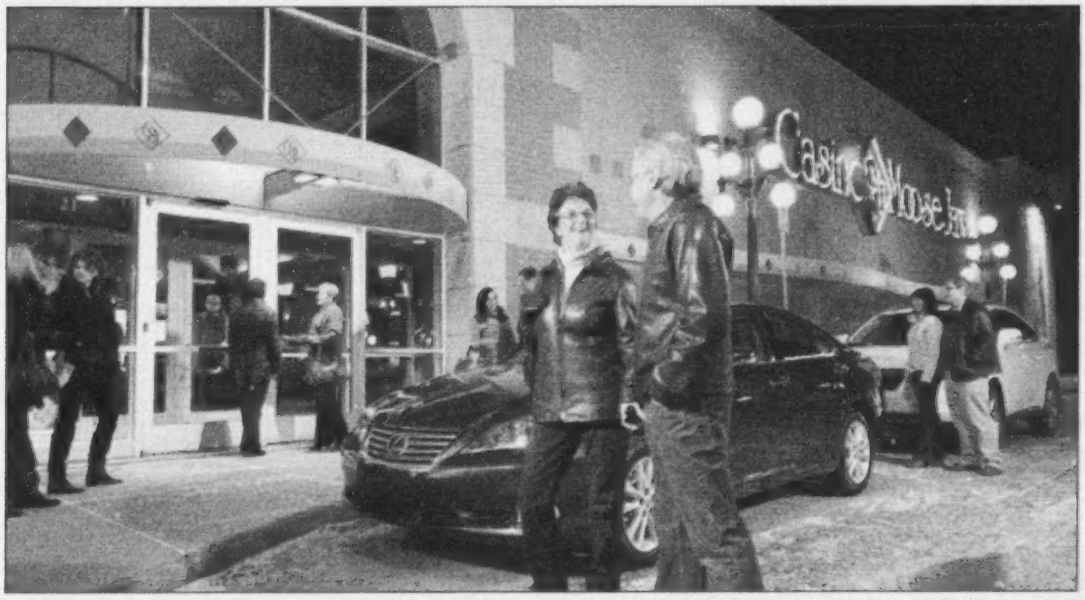
Integrity matters at SaskGaming and this is listed as one of our four corporate values. We conduct independent testing and verification to ensure our games are fair and honest and that they meet provincially regulated standards. Integrity and respect are also important components to employee orientation and guest service training.

We train our staff to identify suspicious activities and have policies and processes in place to support them in detecting, preventing and reporting on activities that may be related to money laundering, suspicious transactions and other threats inherent in cash transactions.

## Risk Management

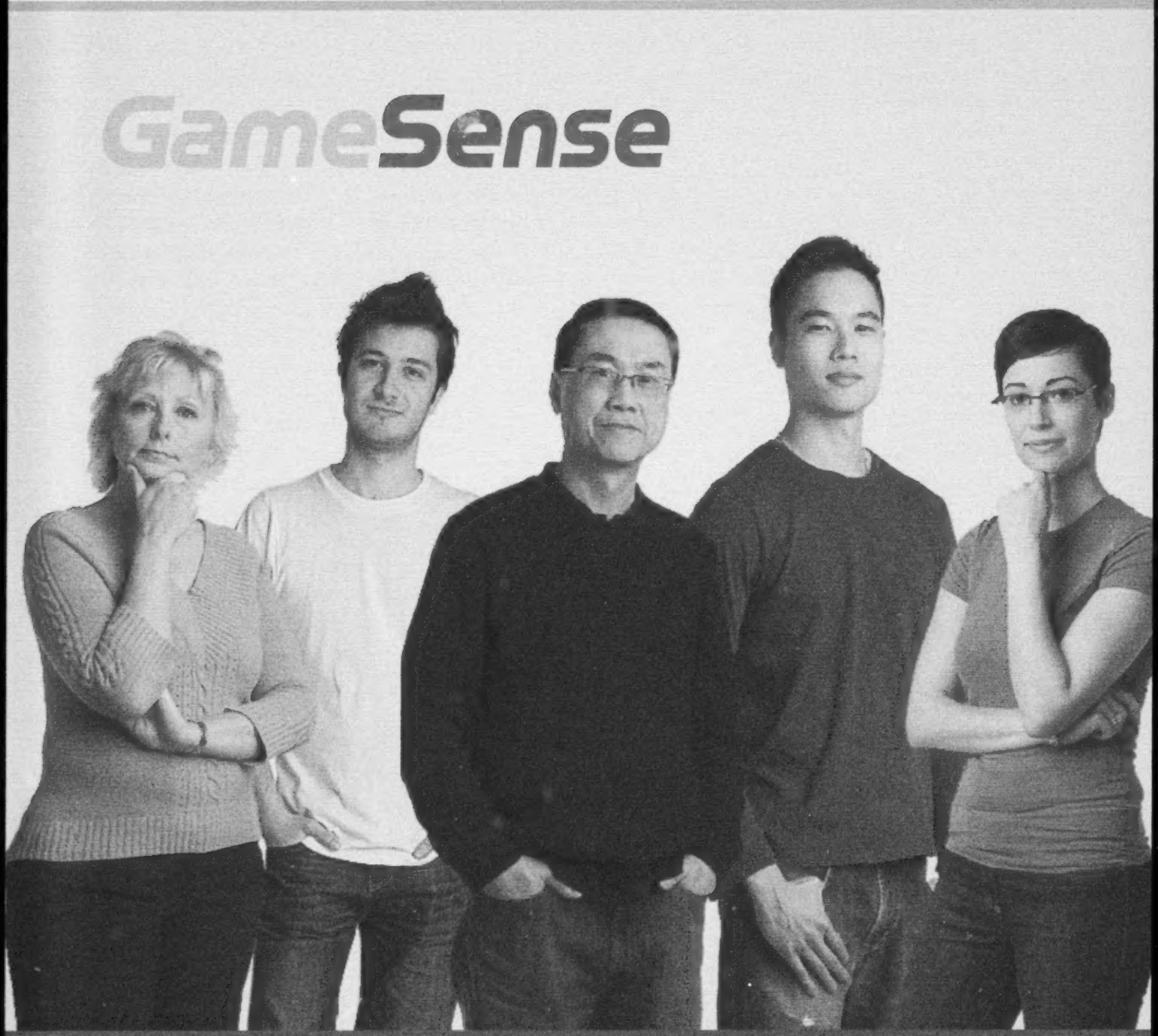
Through our Enterprise Risk Management Program, SaskGaming proactively identifies and documents risks to the corporation and develops appropriate mitigation plans. A risk assessment is also conducted on significant projects along with risk treatment plans. The risks are monitored and reviewed by senior management and the Board of Directors on a regular basis.

SaskGaming has also established detailed business continuity plans for Casinos Regina and Moose Jaw, which document the processes and procedures that will be used to protect our guests, our employees and the corporation's assets in the event of an emergency. These plans are updated annually, and table-top exercises take place to test the plans using real-world scenarios each year.



## GameSense

SaskGaming implemented GameSense in May – a world-class responsible gaming program that combines responsible play education with information on the risks associated with gambling.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD&A) highlights the primary factors that impacted SaskGaming's results for the period ending December 31, 2013.

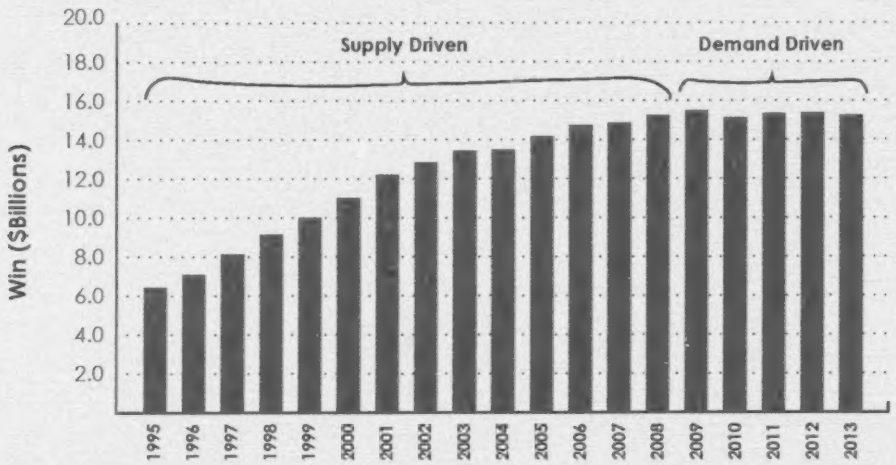
The MD&A should be read in conjunction with the audited financial statements and accompanying notes. Using financial and operational results as its basis, the MD&A enables readers to view SaskGaming's past and future performance from the perspective of management.

The following discussion includes forward looking statements about the corporate direction and financial objectives of SaskGaming. Due to the risks inherent in any forecast, actual results could differ markedly from those anticipated. Forward-looking statements reflect SaskGaming best estimates and assumptions based on information available at the time the statements were made.

## Gaming Industry Trends

The Canadian gaming industry was marked by strong annual revenue growth through its supply driven stage from 1995 to 2007. The revenue growth enjoyed during this period is due to the industry opening more gaming locations (e.g. adding more casinos, VLTs, lottery kiosks, etc.) and/or increasing the number of gaming machines available (e.g. adding more slot machines, VLTs, etc.).

**Canadian Gaming Industry Win Trends**




*Note: Win generated by casino, EGD-VLT, EGD-Other and traditional lotteries are reported on a March 31st fiscal year end and represents approximately 92% of the total gaming win in Canada. All other sectors are generally reported on a calendar year end basis. For presentation purposes, fiscal and calendar year end data have been combined. For instance, March 31st, 2013 data has combined with December 31st, 2012 data and labelled "2013."*

*Source: HLT Advisory Inc. based on most recent data available from various provincial government agency/corporation annual reports and HLT estimates, subject to update as further information becomes available.*

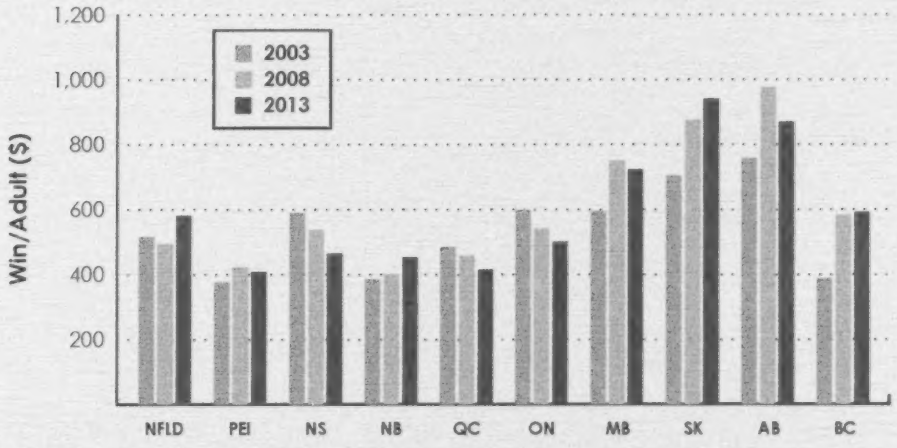
Beginning in 2008, the Canadian industry entered a mature market phase characterized by lower annual revenue growth rates. This is a situation where revenue growth became demand driven, where growth is generated from gamers willing to spend more money than before, and not from increasing supply of new products/services to underserved areas.

It should be noted there is also a difference in timing between eastern and western Canada. Specifically, eastern and central Canadian provinces experienced gaming maturation much earlier than western provinces.

Saskatchewan has been effective at promoting gaming within the province. In 2012, Saskatchewan had the highest win per adult across all Canadian provinces at $906. This is about $50 more per adult than Alberta, the next highest province. The revenue per adult is significantly higher than provinces like Ontario and Quebec.

A strong majority of the revenue per adult (over 80 per cent) is spent on electronic gaming devices. This is money spent on slot machines in SaskGaming's two casinos, the six Saskatchewan Indian Gaming Authority (SIGA) casinos, as well as the Saskatchewan Liquor and Gaming Authority's (SLGA) approximate 4,000 VLTs across the province.

**Gaming Win/Adult by Province (2003, 2008, 2013)**




*Source: HLT Advisory Inc. based on various provincial government agency/corporation annual reports and adult population numbers based on Statistics Canada Demographic Estimates Compendium 2012. 2013 population estimated by HLT Advisory based on historic growth. Numbers are subject to update as further information becomes available.*

Despite this relative strength in the Canadian gaming industry, revenues have grown more slowly in the provincial gaming industry since 2008. In particular, revenues from electronic gaming devices (e.g. slot machines and VLTs) only grew by about two per cent in total across SIGA, SLGA and SaskGaming during this five-year period.

Concurrently, growth in net income in the provincial gaming industry across all lines of gaming has also been relatively tepid since 2008. Over the five-year period, total annual net income increased by approximately five per cent.

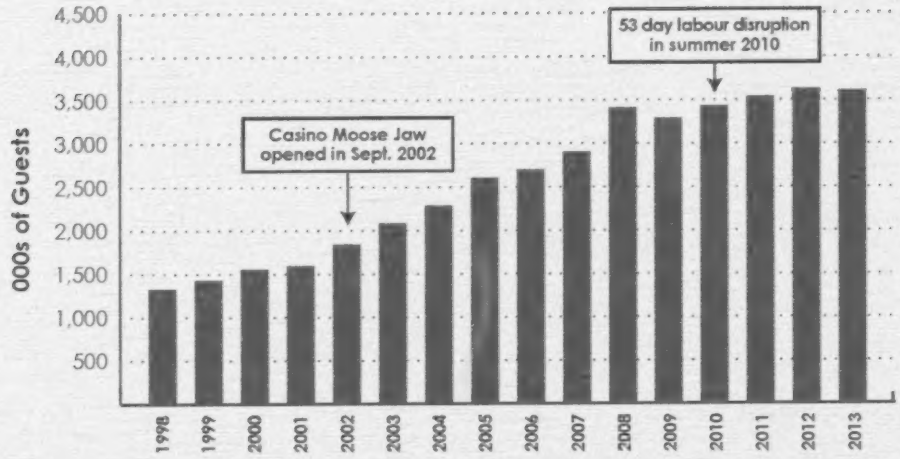
In summary, the Saskatchewan gaming industry has now entered a mature market phase like the rest of Canada. SaskGaming has not been immune to this national trend of market maturity and it has significantly negatively impacted the corporation's results in 2013. The next section will provide an overview of the key highlights of SaskGaming's results this past year.

## 2013 Highlights

### Guest Count

SaskGaming experienced a levelling off of its guest visitation in 2013. Approximately 3.603 million guests visited Casinos Regina and Casino Moose Jaw this past year, which is a 0.6 per cent decline relative to the 3.625 million visitors to both casinos in 2012. Despite this flattening, this remains a relatively strong result as it is the second highest level of guest visitation in the history of the corporation.

**SaskGaming Guest Count - 1998 to 2013**



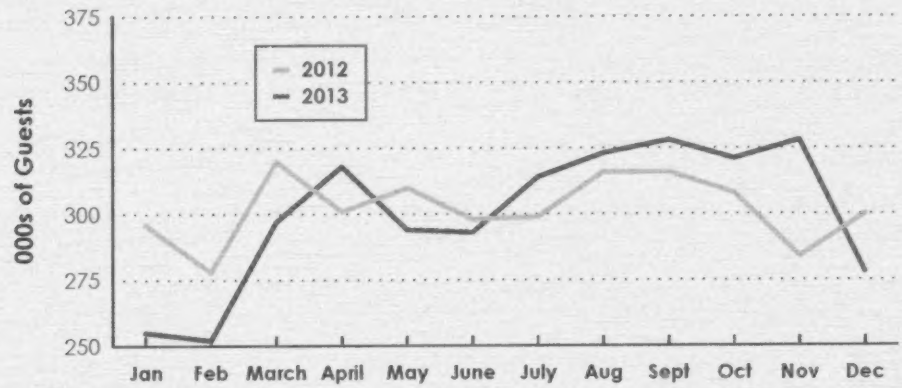

The results mask the challenges that SaskGaming had in this area in 2013. In a sense, the outcome can be considered a "tale of two halves" with 2013 guest visitation. Specifically, Casinos Regina and Moose Jaw struggled to attract more visitors year-over-year on a monthly basis in the first half of 2013 (with the exception of April when the Junos were hosted in Regina).

This effect was primarily due to poor winter weather in early 2013. The Regina area experienced a record snowfall and experienced a significant number of days with extremely cold temperatures. Additionally, SLGA's upgrade to its VLT network, completed in early April, is also believed to have negatively impacted guest visitation as the gaming public tried out the new product.

Starting in July, modest year-over-year improvements in monthly guest count began to occur. While this was a positive development, the increases only had a moderate impact on reversing the decreases experienced in the first half of the year.

However, in November, Regina hosted the 101st Grey Cup. Casino Regina participated in the festivities by hosting a number of events during Grey Cup week. The monthly guest count increased by nearly 45,000 people, on a year-over-year basis, in November 2013. This represents a 15.6 per cent increase over November 2012. The increase in November was large enough to erase the year-to-date deficit in guest count only to slip backwards in December for the marginal decrease in 2013 cited earlier.

**SaskGaming Guest Count: 2012 vs 2013**



Largely based on the substantial increase in attendance in November from the Grey Cup, Casino Regina posted a 0.6 per cent increase in guest visitation in 2013 over 2012. The 2.862 million visitors in 2013 is an all-time record for visitation at Casino Regina.

Casino Moose Jaw, on the other hand, experienced a 5.0 per cent decline in visitation in 2013 to 740,000 visitors. It should be noted, though, the 779,000 visitors in 2012 is the all-time record for visitation for Casino Moose Jaw. Additionally, guest visitation in 2013 is the third highest annual visitation level since the facility opened in September 2002.

**SaskGaming Guest Count: 2012 and 2013**

| | Actuals (# of Guests) | | Year-Over-Year Change | |
|---|---|---|---|---|
| **Guest Count** | **2012** | **2013** | **# of Guests** | **%** |
| Casino Regina | 2,845,828 | 2,862,712 | 16,884 | 0.6% |
| Casino Moose Jaw | 779,413 | 740,278 | (39,135) | (5.0%) |
| **SaskGaming** | **3,625,241** | **3,602,990** | **(22,251)** | **(0.6%)** |

## Revenues

In terms of revenue, 2013 was a difficult year for SaskGaming, particularly for slot revenues. Slot revenues declined by $11.2 million in 2013, or by 9.8 per cent, to $102.9 million. Other revenue (e.g. parking, ATM fees, etc.) also decreased by 5.9 per cent during this period.

**SaskGaming Net Revenues by Type: 2012 and 2013**

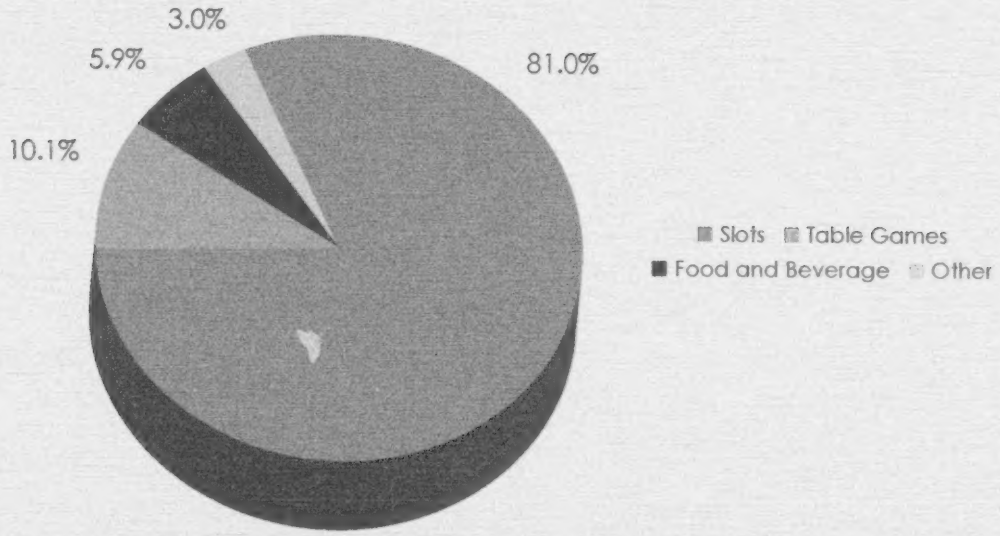
| | Actuals (000s of $) | | Year-Over-Year Change | |
|---|---|---|---|---|
| **Net Revenues** | **2012** | **2013** | **$** | **%** |
| Slots | 114,077 | 102,899 | (11,178) | (9.8%) |
| Table Games | 11,623 | 12,846 | 1,223 | 10.5% |
| Food & Beverage | 7,409 | 7,467 | 58 | 0.8% |
| Other | 4,140 | 3,818 | (322) | (7.8%) |
| **Total Revenues** | **137,249** | **127,030** | **(10,219)** | **(7.5%)** |

On a positive note, Table Games revenues continued its year-over-year upward trend in 2013 with an increase of over $1.2 million to $12.8 million. This represents an increase of 10.5 per cent compared to 2012. Food and Beverage revenues experienced modest growth of 0.8 per cent ($58,000) to $7.5 million.

The growth in Table Games and Food and Beverage revenues only partially offset the declines in Slots and Other revenues. Overall, SaskGaming's revenues declined by $10.1 million to $127.0 million or a 7.4 per cent decrease.

Despite the above changes, each revenue type's share of total revenue only changed modestly in 2013. Slots revenue now represents 81.0 per cent of total revenue (83.2 per cent in 2012) while Table Games revenue increased to 10.1 per cent (8.5 per cent in 2012). Food and Beverage's share of total revenues increased slightly to 5.9 per cent in 2013 (from 5.4 per cent in 2012) mostly due to the decrease in Slots revenues. Other revenues share of total revenues was maintained at 3.0 per cent in 2013.

**SaskGaming Share of Total Revenue: 2013**




There are believed to be several factors contributing to the significant decline in Slots revenues in 2013. For example, SLGA completed its upgrade of its VLT network in early April 2013.

SLGA's new VLT machines are similar in quality to those found in SaskGaming's casinos. Furthermore, SLGA now has the ability to electronically change game types on its machines (i.e. without replacing the machines physically). This means that SLGA will be able to keep pace with changing guest demand. This will cause some players to substitute playing slot machines at Casinos Regina or Moose Jaw to play VLTs in local restaurants or bars.

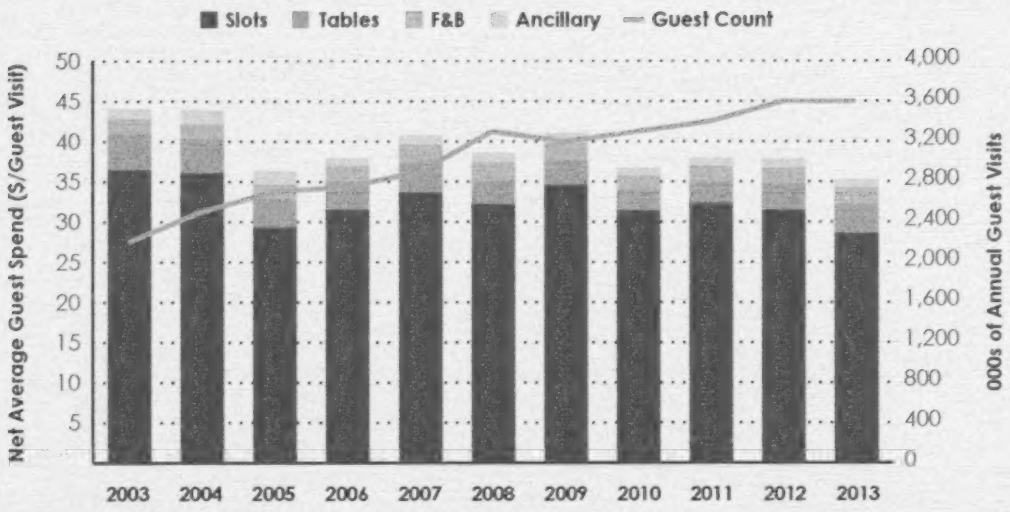
One of the characteristics of a mature market is market penetration. SaskGaming has effectively penetrated its core target demographic (people aged 55 or more) in the Regina and Moose Jaw markets with penetration rates upwards of 90 per cent of the eligible population.

Due to the high market penetration, it is increasingly difficult to attract new guests from its core target demographic. Moreover, increasing guest visitation annually implies attracting more marginal guests who spend less per visit.

An outcome of a mature market for SaskGaming has been that it has experienced declining net average guest spends over the past decade. Net average guest spend declined from $44.09 per visit in 2003 to $37.86 in 2012 (although it did not decline continuously year to year). The primary cause of change in this measure is due to net average slot spend per visit.

Over this period, net average spend per guest was under $37.00 per visit only twice. Net average guest spend was $36.37 per visit when a public smoking ban came into effect in 2005. In 2010, net average spend was $36.76 per visit when SaskGaming endured a 53-day labour disruption.

**SaskGaming Net Average Guest Spend: 2003 to 2013**




Generally speaking, growth in guest visitation was strong enough to offset any decreases in net average guest spend. This allowed the corporation to maintain annual revenue growth (except for 2005 and 2010).

SaskGaming experienced a significant decrease in net average guest spend in 2013. Unfortunately, guest visitation also declined slightly and, therefore, was not able to buffer this decline. Moreover, the decrease in 2013 can be solely attributed to a nearly $3.00 per visit drop in net average slot spend relative to 2012.

In 2005 and 2010, the corporation was able to reverse the steep drop in net average guest spend the year after (i.e. in 2006 and 2011), as well as continue to increase guest count. Both factors led to SaskGaming re-establishing positive revenue growth the next year. It is management's expectation that it will be able to repeat this past pattern in 2014.

## Expenses

As in previous years, SaskGaming continued to effectively manage its expense growth. Total expenses rose by $1.5 million, or 1.5 per cent, in 2013. This outcome is due to a 3.2 per cent increase in operating expenses that was partially offset with decreases in depreciation, taxes and interest.

**SaskGaming Expenses: 2012 and 2013**

| | Actuals (000s of $) | | Year-Over-Year Change | |
|---|---|---|---|---|
| **Expenses** | **2012** | **2013** | **$** | **%** |
| Operating | 69,688 | 71,889 | 2,201 | 3.2% |
| Depreciation | 7,150 | 6,560 | (590) | (8.3%) |
| Taxes | 3,419 | 3,197 | (222) | (6.5%) |
| Interest | 1,355 | 1,277 | (78) | (5.8%) |
| Contractual Obligations | 3,015 | 3,015 | 0 | 0.0% |
| **Total Expenses** | **84,627** | **85,938** | **1,311** | **1.5%** |

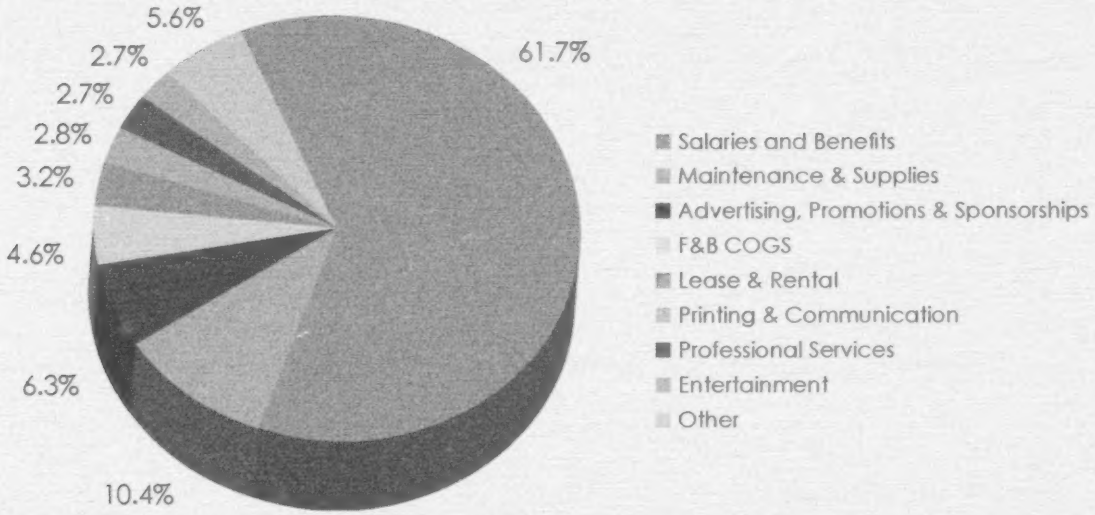
Approximately 80 per cent of the $2.2 million increase in operating expenses in 2013 is due to increased Salaries and Benefits of $1.8 million (4.3 per cent increase). While there were some significant changes in other types of operating expenses (e.g. Maintenance and Supplies, Advertising, Promotions and Sponsorships, Lease and Rental, Printing and Communication, etc.), the increases in some types of operating expenses were mostly offset by decreases in other types of operating expenses.

**SaskGaming Operating Expenses: 2012 and 2013**

| | Actuals (000s of $) | | Year-Over-Year Change | |
|---|---|---|---|---|
| **Operating Expenses** | **2012** | **2013** | **$** | **%** |
| Salaries & Benefits | 42,548 | 44,375 | 1,827 | 4.3% |
| Maintenance & Supplies | 6,697 | 7,452 | 755 | 11.3% |
| Advertising, Promotions & Sponsorships | 4,184 | 4,527 | 343 | 8.2% |
| F&B COGS | 3,240 | 3,316 | 76 | 2.3% |
| Lease & Rental | 2,960 | 2,324 | (636) | (21.5%) |
| Printing & Communication | 1,820 | 1,993 | 173 | 9.5% |
| Professional Services | 2,021 | 1,972 | (49) | (2.4%) |
| Entertainment | 2,050 | 1,910 | (140) | (6.8%) |
| Other | 4,168 | 4,020 | (148) | (3.6%) |
| **Total Expenses** | **69,688** | **71,889** | **2,201** | **3.2%** |

It is important to note the $1.8 million increase in Salaries and Benefits was impacted by the October 2013 organizational restructuring. This action incurred a $3.1 million cost in severance payments for the 55 employees who experienced job loss. Without this cost, the Salaries and Benefits operating expense in 2013 would have been similar to 2012. Not surprisingly, labour expense remains the largest operating expense for the corporation. Nearly 62 per cent of all operating expenses are Salaries and Benefits.

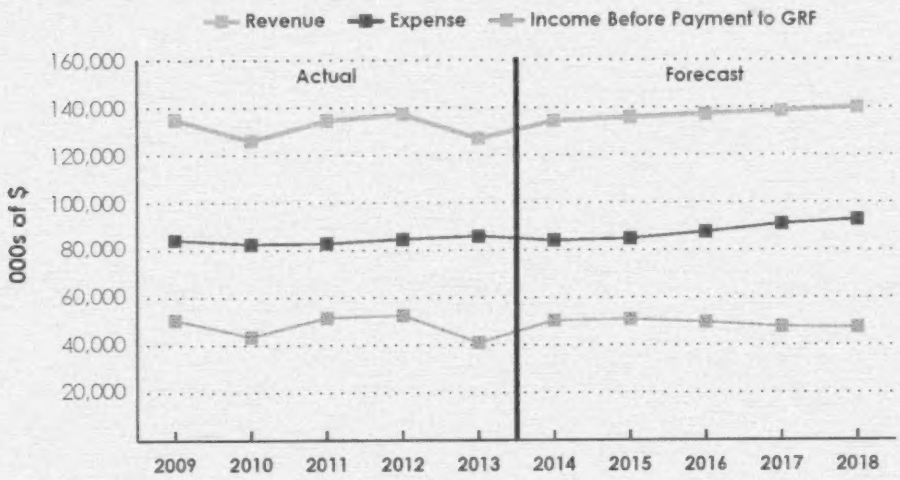
**SaskGaming Share of Operating Expenses: 2013**



### Net Income

At $41.1 million, SaskGaming's Net Income before Payment to the GRF declined significantly in 2013. This performance is well below previous years with results in the $51 million to $53 million dollar range annually, except for 2010 when a 53-day labour disruption negatively impacted results. The 2013 result is primarily due to the decline in revenues described earlier, but also from increased expenses of $3.1 million in severance payments related to the organizational restructuring in October.

**SaskGaming Financial Performance: 2009 and 2018**




SaskGaming anticipates its profitability will rebound in 2014 with Net Income before Payment to the GRF forecasted at $50.4 million. However, beyond 2014, profitability is forecast to decline modestly every year as growth in expenses, due to inflationary pressures on wages and other inputs, are expected to outstrip revenue growth in a mature gaming market.

## Balanced Scorecard

SaskGaming's senior management team and Board of Directors annually review the goals, corporate initiatives as well as the measures and targets in the Balanced Scorecard (BSC) within the corporation's Performance Management Plan (PMP).

The purpose of this review is to ensure these elements continue to strategically support the corporation's vision and mission in the PMP. In 2013, the four strategic goals in the PMP remained as:

1. Guest Experience Excellence;
2. Employee Experience Excellence;
3. Social Responsibility; and
4. Sustainable Corporation.

There were some changes to the corporate initiatives in 2013. These will be highlighted under each of the goals. There were three key changes in the BSC in 2013:

- Two new measures were introduced, Core Training and Net Revenues, to bolster the Employee Experience Excellence and Sustainable Corporation goals, respectively;
- The Greenhouse Gas Emissions measure was dropped because the corresponding corporate initiative was deleted from the Social Responsibility goal; and

- Long-term, optimal targets were established for five measures within the BSC (e.g. Employee Satisfaction, EBITDA Margin, Debt-EBITDA Ratio, Capital Asset Turnover Ratio and Payroll Margin).

The long-term, optimal targets were developed by SaskGaming at the behest of the Crown Investments Corporation (CIC) of Saskatchewan. The purpose of these targets is to drive the long-run performance of the corporation. The targets were developed based on SaskGaming's internal analysis supplemented by work from an external gaming industry consultant and in co-ordination with CIC.

SaskGaming is expanding the number of long-term, optimal targets in its BSC from five measures to 14 measures starting in 2014. The expansion in the number of optimal targets is primarily based on a margin of error analysis completed in 2013. This analysis suggested that small changes in actual values of the measures were not statistically significant and, therefore, a different approach to target setting was needed for these measures.

The next section will describe the corporation's progress against the four goals within the 2013 PMP, followed by a brief overview of the BSC measure targets for 2014. Please see the Optimal Balanced Scorecard Targets Appendix on page 73 for a more detailed description of the analysis that helped determine the optimal targets for the 14 measures.

## Goal 1: Guest Experience Excellence

SaskGaming scored approximately 99 per cent on each of the three targets under this goal. For example, the Mystery Shopper score measures the effectiveness of gaming floor staff to deliver on the corporation's GameOn service standards. It is measured through a Mystery Shopper program conducted by an external research firm on behalf of SaskGaming. The Mystery Shopper score for 2013 was 93.0 per cent, which is 98.9 per cent of the 94.0 per cent target in 2013.

**Guest Experience Excellence BSC Measures**

| MEASURES | 2012 Actual | 2013 Target | 2013 Actual | Actual % of 2013 Target | 2013 Result |
|---|---|---|---|---|---|
| Mystery Shopper | 94.1% | 94.0% | 93.0% | 98.9% | **Progressed** |
| Guest Satisfaction | 80.1% | 81.5% | 80.5% | 98.8% | **Progressed** |
| Guest Opinion About Safety on Premises | 85.7% | 88.0% | 86.9% | 98.8% | **Progressed** |

**Exceeded** = 105% or greater than target; **Achieved** = 100% to 104% of target;
**Progressed** = 90% to 99% of target; **Not Met** = Less than 90% of target.

The Guest Satisfaction score measures overall guest satisfaction with the products and staff service provided at Casinos Regina and Moose Jaw. At 80.5 per cent, the corporation achieved 98.8 per cent of its 2013 target of 81.5 per cent. On Guest Opinion about Safety on Premises, SaskGaming also achieved 98.8 per cent of its 2013 target of 88.0 per cent with its score of 86.9 per cent.

Additionally, the Guest Satisfaction and Guest Opinion about Safety on Premises experienced very marginal increases in the 2013 scores relative to 2012. The Mystery Shopper measure, however, experienced a slight decline relative to 2012.

It should be noted the score on each measure is within their respective margins of error. Specifically, this means the actual score on each measure is so close to the target for the measure that the difference may simply represent a measurement error. Therefore, it could be argued the target has been achieved statistically speaking. Please see the Optimal Balanced Scorecard Targets Appendix on page 73 for a more detailed explanation.

High-quality guest service is a cornerstone of fulfilling SaskGaming's vision and mission. The corporation has two main areas of focus to support the achievement of the Guest Experience Excellence goal: Guest Service Strategy and Guest Safety.

The GameOn guest service strategy describes the experience that guests can expect to receive when at Casinos Regina and/or Moose Jaw, and also defines how employees are trained to provide an excellent guest experience. In 2013, the corporation advanced the GameOn guest service strategy by completing evaluations of all operational staff and implementing coaching plans based on any identified gaps. This was also supported by executing the core training components of the corporation's learning program.

A Guest Feedback Action Plan was developed and implemented in 2013 to support the corporation identifying guest concerns with service issues and responding satisfactorily in a more timely manner. The guest comment card materials and process were updated to provide a more timely response to guests.

Another key piece of work was the creation of a Guest Advisory Committee comprised of a small number of high-value guests. This Committee is a focus group where issues will be identified in an effort to determine what guests truly want and preview any action plans designed to address these issues. The first meeting of this group was hosted in fall 2013 to ascertain guest dis-satisfiers with parking, lighting and cleanliness group[1]. An action plan to address the points mentioned was developed and implemented through the remainder of the year.

The Guest Advisory Committee will be reconvened in early 2014 to determine the effectiveness of the action plan. It is anticipated the committee will meet three to four times per year to discuss the issues with guests serving approximately one-year terms before being replaced with new members.

SaskGaming launched its revised Players Club Program in September 2013. The new program is transparent with improved communication to members about point accumulation, tier levels and the benefits they receive. The main purpose of the program is to retain existing members but it will also support attraction of new members.

The corporation also opened a new VIP Lounge at Casino Regina in concert with the launch of the revised Players Club Program. The lounge provides a comfortable space for our VIPs to relax and entertain their guests. The facility is also a single focal point for the value-added services offered to our VIP guests. The purpose of the VIP Lounge is to maintain loyalty among our highest value guests by meeting all of their non-gaming needs, as well as gaming.

SaskGaming completed an organizational restructuring in October 2013. One of the main tenets of this restructure is to improve guest service quality by moving management closer to the floor and by cross-training staff to be able to address guest service issues as quickly as possible.

Safety is a critical factor to providing excellent guest service. The corporation has visible security personnel who are trained to handle any emergency or first responder situation that may arise. The aforementioned Guest Advisory Committee confirmed that guests feel safe within our properties, but more could be done outside the Casinos Regina and Moose Jaw premises. Based on guest feedback, work was done in 2013 to improve guest perception of safety by improving signage in the parking areas of Casinos Regina and Moose Jaw and replacing exterior lighting. Additionally, a patrol vehicle was purchased to offer rides to guests to and from their vehicles while also maintaining a more visible presence in the Casino Regina parkade.

## Goal 2: Employee Experience Excellence

One of SaskGaming's key strengths is its diverse workforce. SaskGaming has traditionally been the leader in employment of Aboriginal people within the Crown sector, and 2013 is no exception with its Aboriginal Representation measure coming in at 40.3 per cent. While continuing to be strong, the 40.3 per cent level represents about a 95 per cent achievement of the 2013 target of 42.5 percent and was slightly below the 41.0 per cent posted in 2012.

[1] Parking, lighting and cleanliness have consistently been identified in the Guest Satisfaction Survey as gaps where guest satisfaction in these areas is below the importance that guests place on these areas.

**Employee Experience Excellence BSC Measures**

| EMPLOYEE EXPERIENCE EXCELLENCE | 2012 Actual | 2013 Target | 2013 Actual | Actual % of 2013 Target | 2013 Result |
|---|---|---|---|---|---|
| Employee Satisfaction | 48.0% | N/A | N/A | N/A | **No Report** |
| Service Component of Guest Satisfaction | 83.7% | 84.5% | 83.8% | 99.2% | **Progressed** |
| Core Training (New) | N/A | 20.0% | 38.3% | 191.5% | **Exceeded** |
| Employee Safety (Discontinued) | 2.7% | 5.5% | N/A | N/A | **No Report** |
| Aboriginal Representation | 41.0% | 42.5% | 40.3% | 94.8% | **Progressed** |

**Exceeded** = 105% or greater than target; **Achieved** = 100% to 104% of target;
**Progressed** = 90% to 99% of target; **Not Met** = Less than 90% of target.

SaskGaming developed an Aboriginal Representative Workforce Strategy in 2013. The purpose of the strategy is to enhance its recruitment and retention practices for Aboriginal employees. The strategy was developed in 2013 for implementation in 2014.

SaskGaming also recognizes that it is positioned as a developmental employer within its local labour markets. As such, training is a key component to delivering high quality service to guests. The corporation developed a Core Training Program to complement job specific training. This program consists of six modules to ensure every employee can deliver high-quality service by working effectively within teams. The new program began in 2013. The corporation significantly over-achieved its 2013 target of 20 percent with a score of 38.3 per cent, which is nearly double the target.

The corporation expects the training to translate into high quality guest service. The Service Component of Guest Satisfaction specifically measures guest perception of the quality of service that staff provides at Casinos Regina and Moose Jaw. At 83.8 per cent, the corporation achieved approximately 99 per cent of its 2013 target of 84.5 per cent. Similar to the measures under Guest Experience Excellence, this score was also within the margin of error suggesting there is no statistical difference between the target and actual scores in 2013.

There is no report for the Employee Safety measure in 2013. The Saskatchewan Workers Compensation Board (WCB) was only able to provide data on the number of workers compensation claims made by SaskGaming's employees in 2013 but not an annual injury rate, which is the value behind the Employee Safety measure in the Balanced Scorecard. The WCB has only been able to provide a three-year rolling average of the injury rate that does not include 2013 data (i.e. data from 2010, 2011 and 2012).

However, the number of actual WCB claims by SaskGaming employees was relatively low. Given its staff complement, these data suggests the corporation's injury rate is below the 2013 target of 5.5 per cent. Further evidence of this is that WCB has indicated that SaskGaming's premiums will be dropping significantly in 2014.

There was no target for the Employee Satisfaction measure in 2013. This survey is completed bi-annually with the next completion scheduled for 2014.

## Goal 3: Social Responsibility

SaskGaming achieved 100 per cent of its 2013 target of 60.0 per cent for its Guest Awareness of Responsible Gaming measure. The corporation updated its responsible gaming program by implementing British Columbia Lottery Corporation's (BCLC) successful GameSense program.

This program relies on a self-directed approach using highly visible kiosks that provide responsible gaming information and content supplemented by staff support where requested by guests. The GameSense Kiosks and materials were installed in 2013. This work also included the de-commissioning of its iCare software.

In addition to this work, SaskGaming continued its education efforts in this area. This included the hosting of its annual Responsible Gaming Awareness Week in May. Also in this past year, Casinos Regina and Moose Jaw became the only Saskatchewan casinos to achieve RG Check Accreditation.

**Social Responsibility BSC Measures**

| SOCIAL RESPONSIBLITY | 2012 Actual | 2013 Target | 2013 Actual | Actual % of 2013 Target | 2013 Result |
|---|---|---|---|---|---|
| Guest Awareness of Responsible Gaming | 56.9% | 60.0% | 60.0% | 100.0% | **Achieved** |
| Public Opinion of Community Support | 47.5% | 58.0% | 48.4% | 83.4% | **Not Met** |
| Aboriginal Sponsorship (% of Total Sponsorship) | 25.8% | 21.0% | 21.0% | 100.0% | **Achieved** |

**Exceeded** = 105% or greater than target; **Achieved** = 100% to 104% of target;
**Progressed** = 90% to 99% of target; **Not Met** = Less than 90% of target.

The Public Opinion of Community Support measure came in at 48.4 per cent and is significantly below the 2013 target of 58.0 per cent. It is important to acknowledge a reporting error was made on the Public Opinion of Community Support measure in 2012. The survey results for this measure are segmented into three groups of respondents:

- those who have visited a casino in the past 12 months;
- those that have not visited a casino in the past 12 months; and
- all respondents.

The 2012 actual result was erroneously reported as 57.4 per cent based on the results of only those respondents who visited a casino in the 12 months prior to the survey in Q3 2012. The score for all respondents was actually 47.5 percent (note: the 2012 target was 46.0 per cent). SaskGaming set a target of 58.0 per cent for 2013 based on the erroneous result in 2012. The 2012 reporting error was discovered when checking with the survey company on possible reasons for such a large year-over-year decrease.

SaskGaming achieved its Aboriginal Sponsorship target of 21 per cent in 2013. The corporation provided $134,507 in donations, sponsorships and in-kind support to Aboriginal organizations and individuals in 2013, which is 21 per cent of the $640,071 in total sponsorships. Some of the key sponsorships in this area include:

- The North American Indigenous Games (NAIG) organizing committee was provided $50,000 in 2013 (and another $50,000 to be provided in 2014) to support the event which will be hosted in Regina in summer 2014.
- SIAST's Aboriginal Student Achievement and Aboriginal Cultural Awareness Day was provided $10,000 to support Aboriginal recruitment and retention.
- Volunteers from Casinos Regina and Moose Jaw, along with an $8,100 contribution, helped prepare a meal and provide gifts to children at the Kitchener Community School Christmas Dinner.
- Over $10,000 in scholarships were provided to Aboriginal people.

## Goal 4: Sustainable Corporation

SaskGaming chose aggressive targets for its measures under this goal in 2013. For example, guest visitation at Casinos Regina and Moose Jaw was 3.603 million guests in 2013 which, as noted earlier, is the second highest guest count in SaskGaming's history. Yet, this only achieved 96.3 per cent of the 3.743 million target for guest visitation.

**Sustainable Corporation BSC Measures**

| SUSTAINABLE CORPORATION | 2012 Actual | 2013 Target | 2013 Actual | Actual % of 2013 Target | 2013 Result |
|---|---|---|---|---|---|
| Guest Count (000s of People) | 3,625 | 3,743 | 3,603 | 96.3% | **Progressed** |
| Net Revenues (000s of $) (Discontinued) | 137,249 | 141,529 | 127,030 | 89.8% | **Not Met** |
| Income before Payment to GRF (000s of $) | 52,622 | 52,794 | 41,092 | 77.8% | **Not Met** |
| EBITDA Margin | 49.2% | 47.9% | 43.4% | 90.6% | **Progressed** |
| Debt EBITDA Ratio | 0.29 | 0.26 | 0.38 | 46.2% | **Not Met** |
| Capital Asset Turnover Ratio | 2.1 | 2.1 | 1.9 | 90.1% | **Progressed** |
| Payroll Margin | 31.0% | 30.8% | 34.9% | 86.6% | **Not Met** |

**Exceeded** = 105% or greater than target; **Achieved** = 100% to 104% of target;
**Progressed** = 90% to 99% of target; **Not Met** = Less than 90% of target.

SaskGaming did not achieve its Balanced Scorecard financial measures in 2013. Actual revenues were $127.0 million or 10.2 per cent below its budget target of $141.5 million. This is also 7.4 per cent below the 2012 actual of $137.2 million.

The revenue shortfall caused the corporation to miss other revenue dependent financial targets. EBITDA Margin (43.4 per cent) and the Capital Asset Turnover Ratio (1.9) achieved just over 90 per cent of their respective 2013 targets. Revenue shortfalls had a negative impact on Debt to EBITDA (0.38) and Payroll Margin (34.9) as well; both missed the 2013 targets.

At $41.1 million, Income before Payment to the GRF was nearly 23 per cent below its 2013 target of $52.8 million. In addition to the decline in revenues, the result for Income before Payment to the GRF was also influenced by the additional labour expense of $3.1 million incurred from severance costs from the employees released in the October 2013 restructuring.

SaskGaming's major efficiency initiative in 2013 was the aforementioned organizational restructuring. The corporation reduced its out-of-scope staffing complement by approximately one quarter. The restructuring resulted in job loss for 55 employees as well as a number of existing vacancies being eliminated.

A key emphasis of the restructuring is to get SaskGaming back to basics on providing the highest quality guest service to maximize guest satisfaction and, in turn, generate revenue growth. Management is now more involved with the day-to-day operations on the gaming floor. The purpose is to improve responsiveness to guest concerns or issues. The new structure also better aligns organizational functions to improve role clarity and simplify workflows.

The restructuring reflects the new reality of a mature gaming market that faces SaskGaming and the Canadian gaming industry as a whole. The new reality is that, with limited revenue growth potential due to an ever maturing market, fewer resources will be available moving forward. It is imperative that SaskGaming successfully adapt to this new reality. The corporation views the organizational restructuring as an opportunity to be bold and innovative in seeking new ways to deliver seamless, high-quality products and service that guests to Casinos Regina and Moose Jaw want.

While the above represents the most impactful piece of work, other projects were completed in 2013 that were aimed to help support a financially sustainable organization. As cited elsewhere, SaskGaming launched its revised its Players Club Program and new VIP Lounge in September to support the recruitment and retention of guests to Casinos Regina and Moose Jaw.

SaskGaming refreshed its stock of slot machines considerably in 2013. The corporation added 54 machines (27 units in each casino) to increase the total number of slot machines to 1,111 units (880 in Casino Regina and 231 at Casino Moose Jaw). In 2013, the corporation doubled its annual slot machine replacement program by replacing 201 existing units.

The combination of the new and replacement slot machines was a $5.4 million capital investment for the corporation. This also represents the second largest investment in this area in the corporation's history below only when Casino Moose Jaw was opened in 2002. A key element of this work was to refresh denominations like $0.25 and $1 machines.

There were a number of efficiency initiatives completed in 2013. For example, the shuttle and valet service at Casino Regina was eliminated in December due to limited guest demand for the services.

A value-stream mapping (VSM) event on the corporation's hiring process was held in fall 2013. This work identified a number of steps in the process that could be eliminated and/or shortened with the overall impact of reducing the hiring cycle time by about 40 per cent. Reducing the cycle time of the hiring process supports the attraction of the very best candidates into new job openings.

Earlier in the year, a VSM was used to craft a process to transition a portion of existing Players Club Members to their new cards under the revised Players Club Program. The process was smooth and efficient as evidenced by over 32,000 Players Club Members who were provided with new cards between the September launch of the new program to the end of 2013. This represents nearly half of the approximate 67,000 current members in the program.

SaskGaming completed or advanced a number of IT-related projects this past year. These projects either enhanced the corporation's infrastructure, improved operational efficiency and/or increased quality/speed of guest service. The following are the major projects completed in 2013:

- replacement of its banking system;
- upgraded its email servers;
- installed new mobile device management software to allow multiple smartphones on its network;
- replaced the corporation's food and beverage point-of-sale (POS) system; and
- installed new multi-use guest kiosks to deliver enhanced gaming opportunities and services to guests.

## 2014 Targets

The targets for the 2014 BSC measures were chosen based on one of three main criteria:

1. the long-term, optimal target for the measure;
2. the expected trend for the measure based on results in 2013; and/or
3. the 2014 Budget forecast.

The corporation developed long-term, optimal targets for nine measures beginning in 2014. Six of these measures (e.g. Mystery Shopper, Guest Satisfaction, Service Component of Guest Satisfaction, Guest Opinion of Safety on Premises, Guest Awareness of Responsible Gaming and Public Opinion of Community Support) had long-term optimal targets chosen based on a margin of error analysis completed in 2013. The long-term optimal targets were chosen as the 2014 targets for these measures since the historical results and the long-term, optimal targets are within the measure's statistical margin of error. Please see the Optimal Balanced Scorecard Targets Appendix on page 73 for a complete description on how all nine long-term optimal targets were developed.

Employee Satisfaction is expected to decline modestly in 2014 because of the potential impact on employee morale from the October 2013 organizational restructuring. When the Core Training measure was initially added to the BSC in 2013, it was anticipated this measure would achieve 40 per cent in 2014. However, based on the strength of nearly achieving that mark in 2013, the Core Training target

for 2014 has been revised up to 60 per cent in 2014. Aboriginal Sponsorship is anticipated to achieve 22.0 per cent in 2014 based on historical trends with this measure.

There are two new measures in the BSC for 2014. Rising employee absenteeism over the past few years has been an increasing challenge. A new corporate initiative was established to reduce absenteeism. The Employee Absenteeism measure will track results in this area. The 2014 target was based on making modest progress in the early part of the program.

Net Average Spend per Guest is also a new BSC measure for 2014. There are two key revenue components: guest visitation and average guest spend. Therefore, the purpose of adding Net Average Spend per Guest is to complement the existing Guest Count measure to track, and report on, components that drive revenue growth.

**2014 BSC Measure Targets**

| GUEST EXPERIENCE EXCELLENCE | 2013 Actual | 2014 Target |
|---|---|---|
| Mystery Shopper | 93.0% | 90.0% |
| Guest Satisfaction | 80.5% | 80.0% |
| Guest Opinion About Safety on Premises | 86.9% | 85.0% |

| EMPLOYEE EXPERIENCE EXCELLENCE | 2013 Actual | 2014 Target |
|---|---|---|
| Employee Satisfaction | N/A | 45.0% |
| Service Component of Guest Satisfaction | 83.8% | 85.0% |
| Core Training | 38.3% | 60.0% |
| Employee Absenteeism (New) | 9.3% | 9.0% |
| Aboriginal Representation | 40.3% | 42.0% |

| SOCIAL RESPONSIBLITY | 2013 Actual | 2014 Target |
|---|---|---|
| Guest Awareness of Responsible Gaming | 60.0% | 60.0% |
| Public Opinion of Community Support | 48.4% | 50.0% |
| Aboriginal Sponsorship (% of Total Sponsorship) | 21.1% | 22.0% |

| SUSTAINABLE CORPORATION | 2013 Actual | 2014 Target |
|---|---|---|
| Guest Count – Levels (000s) | 3,603 | 3,659 |
| Net Average Guest Spend ($/Guest) (New) | 35.27 | 36.73 |
| Income before Payment to GRF (000s of $) | 41,092 | 50,406 |
| EBITDA Margin | 43.4% | 48.6% |
| Debt EBITDA Ratio | 0.38 | 0.15 |
| Capital Asset Turnover Ratio | 1.9 | 2.1 |
| Payroll Margin | 34.9% | 29.9% |

The 2014 targets for Guest Count and Net Average Guest Spend, as well as the remaining financial measures, are products of the 2014 Budget forecast and PMP. Guest Count and Net Average Guest Spend are both anticipated to rise in 2014 based on the combined impacts of additional promotional/coupon spending, the impact of the revised Players Club Program and newly opened VIP Lounge, the anticipated effect of the changes in the stock of slot machines and a return to normal weather in 2014.

The increased revenue will drive improved results in all of the other financial measures. Reduced labour expense, due to the organizational restructuring, is also anticipated to improve Payroll Margin and Net Income before Payment to the GRF.

Lastly, two measures were dropped from the BSC in 2014; therefore, targets are no longer required for them. Employee Safety was dropped because the organization has made progress at reducing the injury rate of its workers. Net Revenues was replaced by the Net Average Guest Spend measure.

## Risk Management

SaskGaming's Enterprise Risk Management (ERM) program is relatively new with its initial development in 2010. The corporation's ERM plan is comprised by a corporate risk registry and is supported by an ERM policy.

The ERM plan was also a component of SaskGaming's 2013 PMP. There was a corporate initiative directly attached to it within the 2013 PMP (e.g. 4.5 Corporate Risk Management) and the ERM itself was part of the planning process.

SaskGaming continued to enhance its ERM program and comply with the risk management minimum standards set out by CIC. In doing so, the following annual activities are undertaken (in alignment with the CIC policy):

- assess the effectiveness of key risk mitigation controls for risks within our risk registry through control self-assessment workshops;
- review/update the risk management framework, risk tolerance guide and risk management policy;
- revise/develop risk statements to support the risk management framework;
- conduct an inherent risk assessment (likelihood and impact of risk based on five-point scale);
- conduct an residual risk assessment (likelihood and impact of risk based on five-point scale);
- develop prioritized summary registers which identified the top corporate-wide inherent and residual risks and assigning Executive ownership for each risk;
- ERM update within the MD&A section of annual report;
- creation of Internal Audit plan based on SaskGaming's risk registry; and
- an ERM component within business case and new initiative templates used during the budgeting process.

In order to actively manage/monitor corporate risks, all risks defined as "corporate-wide risks" (risks rated as high using SaskGaming tolerance levels are deemed corporate-wide risks) were reviewed and reported quarterly to the Executive Committee, as well as, to the Board of Directors. All other risks on the risk registry are reviewed and reported to the Executive Committee semi-annually.

Based on its self-assessment, SaskGaming believes it has the appropriate level on controls in place to manage risk to an acceptable level. However, SaskGaming continues to investigate opportunities to implement controls that would further reduce risk exposure to the corporation. The following table outlines SaskGaming's corporate-wide risks along with the key mitigating controls/process in place for each:

1. **Sustainable Income** - The inability to keep pace with the continuous modernization of the gaming industry and market maturity in existing gaming leads to a decline in SaskGaming's income.

   *Mitigation Activities* - Due in part to its continuing revenue challenges, SaskGaming completed an organizational restructuring in October 2013 after a review of other Canadian gaming companies. Based on this review, SaskGaming reduced its out-of-scope staffing complement by approximately 26 per cent from approximately 236 FTEs to approximately 170 FTEs, or approximately 66 FTEs. This action resulted in job loss for 55 employees (50 at Casino Regina and 5 in Casino Moose Jaw). Eleven vacant positions were also eliminated.

   The restructuring better aligns SaskGaming's workforce with the future direction of the gaming market. It also strongly emphasizes the corporation getting back to basics while focusing on guest satisfaction. The new structure has been simplified and better aligns organizational functions. Additionally, the restructure has management more involved with the day-to-day operations on the gaming floor.

   SaskGaming re-launched its Players Club Program in September 2013. The new points collection method and rewards of the program are now transparent to its members. The aim of the program is to attract new members while increasing retention of existing members.

   The re-launch of the new Players Club Program was complemented by the opening of a new VIP Lounge in Casino Regina. This area caters to the casino's highest value patrons by providing a relaxing atmosphere away from the gaming floor and is a central point of contact for services provided to them.

   SaskGaming also developed a plan in 2013 to emphasize its competitive advantages in its marketing activities to Players Club Members and the general public. The corporation continues to work on a comprehensive plan to modernize its business model to continue to be successful in the long term.

2. **Regulatory Compliance** - Failure to comply with existing regulations or proactively adjust to changing regulations results in sanctions and adverse publicity that can damage the corporation's reputation and financial well-being.

   *Mitigation Activities* - SaskGaming has a *Proceeds of Crime Money Laundering and Terrorist Financing Act (PCMLTFA)* compliance regime to address FINTRAC regulatory requirements. The corporation also has an updated Anti-Money Laundering/Counter Terrorist Financing (AML/CTF) Risk Assessment commensurate with PCMLTFA standards, which has been subjected to external review. SaskGaming's AML Compliance Regime is also independently reviewed by a third party to assess its effectiveness.

   SaskGaming has Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) reporting software designed to integrate with existing incident tracking systems in use at Casinos Regina and Moose Jaw. Casino management information systems have been upgraded to newer versions which offer increased functionality. The corporation has mandatory AML/CTF employee training that is refreshed on an annual basis. Compliance certification and sub-certification on applicable legislation by SaskGaming executive is completed.

   SLGA provides quarterly reports to SaskGaming on its compliance with all provincial gaming legislation and regulations. All privacy concerns are addressed immediately and freedom of information requests are handled in accordance with *The Freedom of Information and Protection of Privacy Act* by SaskGaming's Privacy Officer.

3. **Information Security** - Access to information (data or programs) is inappropriately granted or refused resulting in loss or theft of proprietary information, unauthorized knowledge and use of confidential information, or preclude personnel from performing their assigned responsibilities effectively and efficiently.

   *Mitigation Activities* - A semi-annual account audit on the corporation's systems is conducted to ensure correct access has been given to users of those systems. There is a standardized process for assigning permissions within applications based on roles supplied by the application owners. A network security and intrusion system was purchased in 2013.

4. **Safe Environment** - Guest or employee harm is caused by an unsafe environment results in loss of guest confidence, crime, reputational damage, increased costs, lost productivity, liability and other related penalties and sanctions.

   *Mitigation Activities* - Casinos Regina and Moose Jaw have a security and surveillance team on premises who are trained and equipped to deal with all situations to ensure the safety of guests and staff. Additionally, security staff are trained, and are identified to guests, as first responders. Procedures are also in place to investigate and follow up on all guest related accidents and injuries.

   The Guest Opinion about Safety on Premises measure in the Balanced Scorecard tracks guests feeling of safety through a survey conducted semi-annually. In 2013, the corporation consulted with a newly formed Guest Advisory Committee on safety issues. From this work, a plan to increase signage and lighting in Casino Regina's parkade was developed.

5. **Talent Management** - Not effectively developing and managing the human resources and intellectual capital of the organization to achieve its business objectives, including succession planning.

   *Mitigation Activities* - An attendance support program has been developed to support improved employee attendance and productivity. In support of our employees being successful in their positions, core training based on position and GameOn training for all gaming floor staff is provided. Furthermore, the bi-annual Employee Satisfaction survey, to be conducted in 2014, will support the corporation continuing to improve employee satisfaction.

6. **Technological Innovation** - Not leveraging advancements in technology resulting in SaskGaming's inability to remain competitive, and take advantage of efficiencies, in providing quality products, services and processes.

   *Mitigation Activities* - SaskGaming has a Technology Program that is revised annually for new projects and initiatives aligned with the goals and corporate initiatives in its PMP. The resourcing of the Technology Program is founded on the following pillars: business facing applications, IT infrastructure and IT governance. Business demands drive the development of the Technology Program. Recommendations on priorities are developed by a multi-department working group, which is reviewed and approved by senior management.

7. **Change Readiness/Adaptability** - Not effectively implementing guest facing initiatives results in the inability to meet guest expectations.

   *Mitigation Activities* - A key focus of the corporation's research program is to measure guest expectations on the importance and satisfaction with the services provided at Casinos Regina and Moose Jaw. The aim of this research is to help the organization adapt to changing guest preferences. An example of this work is the Guest Advisory Committee that was established in 2013. This group is comprised of a small number of highly valued guests who were asked to provide feedback on various topics like safety, cleanliness, etc.

   The corporation also has a number of tools in place to help manage change. Components of the PMP, like the environmental scan and the ERM plan help identify issues. The department planning and reporting processes have been modified to improve project/change management.

Additionally, senior management approval of business cases ensure sound, evidence-based decision making occurs on high value projects or initiatives.

8. **Data Governance** - Inadequate data governance and/or data management processes leads to incomplete, out-of-date, inaccurate and/or irrelevant data resulting in ineffective decision making.

   *Mitigation Activities* - SaskGaming currently uses a decentralized approach to data governance with the role of data owner being defined to be the respective business owner. This has created challenges in trying to create a complete view of what guests do while on our properties. Reviewing the corporation's data governance practices are a component of a business initiative that will be undertaken by the Finance and Administration area in 2014.

9. **Guest Experience** - Guest experience (including product offerings, facilities and the service provided by staff) do not consistently meet or exceed guest expectations resulting in a loss of business, declining revenues and loss or market share.

   *Mitigation Activities* - SaskGaming conducts market research to identify guest expectations. This work complements the corporation GameOn customer service strategy and standards aimed at providing high-quality, seamless service to its guests. One of the principles used in the October 2013 organizational restructuring is to have more staff cross-trained so they can more effectively deliver seamless service to guests. The visibility of management on the gaming floor has also been increased with the restructuring. Additionally, the corporation revised its Players Club Program and opened the new VIP Lounge.

10. **Business Interruption** - SaskGaming is unable to provide services due to a business interruption (situations including: accidents, work stoppages, sabotage, weather, technology failure) resulting in loss of revenue, dissatisfied guests, etc.

    *Mitigation Activities* - SaskGaming reviewed, updated and prioritized its business impact assessments in 2013. Departmental action plans and checklists were developed to help operationalize the corporation's business continuity plan. All but a small number of SaskGaming's IT systems and applications have been relocated to SaskTel's data centre to significantly reduce the risk of critical failure.

    Annual fire drills are conducted at both properties and emergency measure procedure documents have been reviewed and implemented to assist employees responding to various emergency situations. Emergency procedure training and table-top exercises are completed annually. The corporation updates its disaster recovery plan annually to ensure it can recover as quickly as possible in the event of a major event.

# Stakeholder Engagement

SaskGaming is committed to open and transparent communication to all of its stakeholder groups. By maintaining strong two-way communication, the corporation positions itself to achieve positive results.

## Public and Guest Communications

SaskGaming uses many channels to communicate to the public about our products, promotional offers and corporate announcements.

Major corporate initiatives are communicated through media releases, news conferences and public events, and are supported through information posted on SaskGaming's corporate website. The website also provides access to SaskGaming corporate information, quarterly financial updates, annual reports and opportunities for charities and non-profit organizations to request financial support through SaskGaming's Community Relations Program.

SaskGaming communicates directly with guests in the form of a monthly Players Club Newsletter that is sent to Players Club Members by mail or email (guests must opt-in to receive information by email). The newsletter is also accessible to the general public on the Casino Regina and Casino Moose Jaw websites. The newsletter provides a monthly update on casino events and promotions, restaurant features and the upcoming entertainment lineup at the Casino Regina Show Lounge and Mae Wilson Theatre in Moose Jaw. In 2013 a new regular feature was added to the newsletter highlighting GameSense responsible gambling events and messaging.

SaskGaming also reaches the general public through targeted advertising (using many channels including online, radio, television, billboards and direct mail) to create awareness about promotions, events and entertainment available at Casinos Regina and Moose Jaw. SaskGaming also has a social media presence on Facebook and Twitter as a way to promote products and services and to engage in discussion with the general public.

## Guest Engagement and Feedback

At SaskGaming, it's all about the guest. We make a concerted effort to build relationships with our guests and provide them with many opportunities to offer their feedback. SaskGaming tracks and analyzes this feedback to ensure we are providing our guests with the best possible experience at our casinos.

SaskGaming provides several methods and points of contact for guests to tell us about their experience: focus groups, surveys, paper comment card, in-person discussion with a manager or by email.

SaskGaming conducts targeted focus groups and public opinion polling based on corporate strategy or to gauge interest in potential new initiatives. Focus groups with guests and/or the general public occur infrequently and based on initiatives within any given year. Annually, SaskGaming has a province-wide, general population study conducted to understand the public's media consumption habits, their entertainment preferences and their views/habits on gaming, including their impressions of SaskGaming's corporate social responsibility efforts.

On a semi-annual basis, exit surveys are conducted with guests to determine which services they feel are important, and how satisfied guests are with these same services. Guest experience results are gathered and tracked in our Balanced Scorecard in the areas of Guest Satisfaction, Service Component of Guest Satisfaction, Guest Opinion About Safety on Premises and Guest Awareness of Responsible Gaming. For more information on 2013 balanced scorecard results, see page 22.

The guest comment card process and materials were revised in 2013, with a streamlined process that facilitates a quicker response and resolution to guest comments. The cards now have three options to provide feedback: a request for immediate service from an Operational Shift Manager (OSM) on-site (the OSM cell number is provided on the card); writing a comment on the comment card (with the option to leave contact information for a follow-up discussion with a SaskGaming representative) or a link to the Casino Regina or Casino Moose Jaw website where the guest can email a comment. In the event that a guest requests a follow-up discussion or provides an online comment, the feedback is funneled to the appropriate unit at SaskGaming for consideration and timely response.

SaskGaming initiated a Guest Advisory Committee in 2013 as a new way to receive face-to-face feedback from our guests. The committee provides the opportunity for invited guests to provide regular feedback and advice on casino service. It meets quarterly and the participants' term is for one year.

The first committee meeting (with eight participants) was held in October. The focus was on learning more about how our guests feel about lighting within the casino (both indoor and outdoor), parking and cleanliness at Casino Regina. The meeting provided great insight, and we've taken steps that directly respond to their feedback, including installing light-emitting diode (LED) lighting to make the parking lots brighter and providing free parking in the evenings starting at 7 p.m. (earlier than the previous 10 p.m. start time).

All guest feedback gathered by SaskGaming is consolidated and grouped into four themes – guest experience, casino services, atmosphere and pricing. Each quarter, the themes are reviewed and monitored for trends.

## Employee Communications

SaskGaming has a strong focus on internal communications, with the goal to reach employees with timely and accurate delivery of corporate information.

Because SaskGaming employees work in a shift environment and the majority of employees work on the gaming floor, several channels are used to distribute corporate news and information: weekly newsletter, weekly email to managers, corporate intranet and back-of-house announcements.

The primary methods of communication are the weekly newsletter and corporate intranet, where employees stay up to date on current initiatives happening at the corporate and gaming floor level. The newsletter is posted on Casino Regina and Casino Moose Jaw and distributed in the staff cafeteria and employee lounges. The newsletter is also posted on the intranet, which is accessible to all employees (if an employee does not work at a designated work station with a computer, there are computers provided in employee lounges). The intranet is also where all important documents, processes, procedures and information is published and archived.

Back-of-house announcements are another way we communicate to employees about important information. Paper posters are posted on employee bulletin boards at both properties and digital announcements are also played in rotation on televisions in high-traffic areas accessible only to employees off the gaming floor.

SaskGaming encourages face-to-face meetings, and emails a summary of important news to managers each week that they use in daily shift meetings with employees throughout the week. Senior management also encourages face-to-face meetings, and schedules an employee meeting each year to interact with employees and discuss important corporate initiatives. A similar management meeting is also held each year where all SaskGaming managers gather to discuss corporate strategy. When required, special employee communication and meetings are also coordinated to support corporate announcements.

SaskGaming solicits employee feedback through a comprehensive employee satisfaction survey conducted every two years by an external company (to ensure anonymity and non-biased reporting). The survey results provide SaskGaming with important information on where the corporation is meeting employee needs, and what areas employees think the corporation should put more effort into. Results from our 2012 survey supported our decision to focus on providing managers with more training to enhance their leadership role and coaching skills. SaskGaming is planning the next employee satisfaction survey for 2014.

## Players Club Program

In September, SaskGaming revamped its Players Club Program, adding tier levels and associated benefits, the ability to check points balance online and introduced a new VIP Lounge for players at the highest tiers.

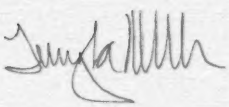
# Management's Report on Financial Statements

The accompanying financial statements have been prepared by management in accordance with International Financial Reporting Standards. Financial information included elsewhere in this annual report is consistent with that in the financial statements. Management is responsible for the integrity, objectivity and reliability of the financial statements.

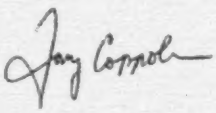
The financial statements for the year ended December 31, 2013 have been approved by the Saskatchewan Gaming Corporation's Board of Directors.

Management of the corporation has established (and maintains) a system of internal controls, providing assurance that transactions are recorded and executed in compliance with legislation and authority, assets are safeguarded, there is an effective segregation of duties and responsibilities and reliable records are maintained. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the Audit and Finance Committee of the Board.

The Corporation's independent auditors, KPMG LLP, on behalf of management have examined the Corporation's financial statements as at December 31, 2013. The auditor's report, which follows, outlines the scope of their examination and sets forth their opinion.



Twyla Meredith
President and CEO



Tony Coppola
Chief Financial Officer

March 6, 2014

# Management's Report on Internal Control over Financial Reporting

I, Twyla Meredith, the President and CEO of the Saskatchewan Gaming Corporation, and I, Tony Coppola, the Chief Financial Officer of the Saskatchewan Gaming Corporation, certify the following:

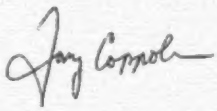
a. That we have reviewed the financial statements included in the Annual Report of the Saskatchewan Gaming Corporation (SaskGaming). Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly present, in all material respects the financial condition, results of operations, and cash flows, as of December 31, 2013.

b. That based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of SaskGaming do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.

c. That SaskGaming is responsible for establishing and maintaining effective internal control over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and SaskGaming has designed internal controls over financial reporting that are appropriate to the circumstances of SaskGaming.

d. That SaskGaming conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, SaskGaming can provide reasonable assurance that internal controls over financial reporting as of December 31, 2013 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.

Twyla Meredith
President and CEO



Tony Coppola
Chief Financial Officer

March 6, 2014

# Independent Auditor's Report

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the accompanying consolidated financial statements of Saskatchewan Gaming Corporation, which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saskatchewan Gaming Corporation as at December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
March 6, 2014
Regina, Canada

# Saskatchewan Gaming Corporation
# Consolidated Statement of Financial Position

| As at:<br>(in 000s) | December 31<br>2013 | December 31<br>2012 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash | $ 10,841 | $ 10,583 |
| Accounts receivable | 419 | 397 |
| Inventory | 321 | 320 |
| Prepaid expenses | 638 | 666 |
| | 12,219 | 11,966 |
| Property, plant and equipment (Note 4) | 66,638 | 66,721 |
| | $ 78,857 | $ 78,687 |
| **LIABILITIES AND EQUITY** | | |
| Current liabilities: | | |
| Trade and other payables | $ 11,810 | $ 10,345 |
| Payable to the General Revenue Fund (Note 5) | 3,267 | 6,185 |
| Dividend payable | 1,578 | 5,455 |
| Short-term advance (Note 6) | 3,000 | — |
| Current portion of long-term debt (Note 7) | 7,476 | 1,385 |
| Current portion of finance lease obligation (Note 8) | 955 | 955 |
| | 28,086 | 24,325 |
| Long-term debt (Note 7) | 3,246 | 10,722 |
| Finance lease obligation (Note 8) | 6,083 | 6,307 |
| | 37,415 | 41,354 |
| Equity advance (Note 9) | 4,000 | 4,000 |
| Retained earnings | 37,442 | 33,333 |
| | 41,442 | 37,333 |
| | $ 78,857 | $ 78,687 |

Commitments and contingencies (Note 10)

*(See accompanying notes)*

On behalf of the Board:

Director

Director

# Saskatchewan Gaming Corporation
# Consolidated Statement of Comprehensive Income

**For the year ended December 31**

| (in 000s) | 2013 | 2012 |
|---|---|---|
| Revenue (Note 11) | $ 127,030 | $ 137,249 |
| Operating expenses (Notes 12 and 19) | 71,889 | 69,688 |
| Depreciation | 6,560 | 7,150 |
| Taxes (Note 13) | 3,197 | 3,419 |
| Contractual obligations (Note 10) | 3,015 | 3,015 |
| Finance expense (Note 14) | 1,277 | 1,355 |
| Income before payment to the General Revenue Fund | 41,092 | 52,622 |
| Payment to the General Revenue Fund (Note 5) | 20,546 | 26,311 |
| Net income | 20,546 | 26,311 |
| Other comprehensive income | — | — |
| Comprehensive income | $ 20,546 | $ 26,311 |

*(See accompanying notes)*

# Consolidated Statement of Changes in Equity

**For the year ended December 31**

| (in 000s) | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Retained Earnings | Equity Advance | TOTAL | Retained Earnings | Equity Advance | TOTAL |
| Balance as at January 1 | $ 33,333 | $ 4,000 | $ 37,333 | $ 28,071 | $ 12,805 | $ 40,876 |
| Comprehensive income | 20,546 | — | 20,546 | 26,311 | — | 26,311 |
| Dividends | (16,437) | — | (16,437) | (21,049) | — | (21,049) |
| Repayment of equity advance | — | — | — | — | (8,805) | (8,805) |
| Balance as at December 31 | $ 37,442 | $ 4,000 | $ 41,442 | $ 33,333 | $ 4,000 | $ 37,333 |

*(See accompanying notes)*

# Saskatchewan Gaming Corporation
# Consolidated Statement of Cash Flows

**For the year ended December 31**

| (in 000s) | 2013 | 2012 |
|---|---|---|
| Operating activities: | | |
| Net income | $ 20,546 | $ 26,311 |
| Adjustments for: | | |
| Finance expense | 1,277 | 1,355 |
| Depreciation | 6,584 | 7,052 |
| (Gain) loss on sale of property, plant and equipment | (24) | 98 |
| Changes in non-cash working capital balances: | | |
| Accounts receivable | (22) | (107) |
| Inventory | (1) | (20) |
| Prepaid expenses | 28 | (231) |
| Trade and other payables | 1,465 | 568 |
| Payable to the General Revenue Fund | (2,918) | 39 |
| | 26,935 | 35,065 |
| Investing activities: | | |
| Proceeds from sale of property, plant and equipment | 99 | 130 |
| Purchases of property, plant and equipment | (6,576) | (5,247) |
| | (6,477) | (5,117) |
| Financing activities: | | |
| Dividends paid | (20,314) | (20,960) |
| Interest paid | (1,277) | (1,355) |
| Proceeds from short term advance | 6,000 | — |
| Repayment of short term advance | (3,000) | — |
| Repayment of equity advance | — | (8,805) |
| Repayment of finance lease obligation | (224) | (166) |
| Repayment of long-term debt | (1,385) | (1,300) |
| | (20,200) | (32,586) |
| Increase (decrease) in cash | 258 | (2,638) |
| Cash, beginning of year | 10,583 | 13,221 |
| Cash, end of year | $ 10,841 | $ 10,583 |

*(See accompanying notes)*

**December 31, 2013**

## 1. Description of Business

The Saskatchewan Gaming Corporation (SaskGaming) is a corporation domiciled in Canada. The address of SaskGaming's registered office and principal place of business is 1880 Saskatchewan Drive, Regina, SK, S4P 0B2.

SaskGaming manages and operates Casino Regina and Casino Moose Jaw. SaskGaming was established under *The Saskatchewan Gaming Corporation Act* to establish and operate casinos in Saskatchewan; conduct and manage games of chance in casinos; and to establish and operate or to provide for the establishment and operation of any business or activity that it considers reasonably related to operating a casino. SaskGaming must operate in accordance with statutory provisions established under Section 207 of the Criminal Code of Canada and *The Alcohol and Gaming Regulation Act, 1997*. Regulation of SaskGaming's operations is controlled by the separately constituted Saskatchewan Liquor and Gaming Authority.

SaskGaming operates under the direction of its owner, the Crown Investments Corporation (CIC) of Saskatchewan. CIC is the Government of Saskatchewan's holding corporation for its commercial Crown corporations. The financial results of SaskGaming are included in the consolidated financial statements of CIC.

## 2. Basis of Preparation

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements were authorized for issue by the Board of Directors on March 6, 2014.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are classified as fair value through profit and loss, which are measured at fair value.

c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is SaskGaming's functional currency.

d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Useful lives of property, plant and equipment (Note 3(e) and Note 4)
- Customer loyalty program (Note 3(c))

**3. Significant Accounting Policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by SaskGaming and its subsidiary.

a) Basis of consolidation

The consolidated financial statements include the accounts of SaskGaming and its wholly-owned subsidiary, SGC Holdings Inc. which is incorporated under *The Business Corporations Act (Saskatchewan)*. All intercompany transactions and accounts have been eliminated on consolidation.

b) Revenue

Gaming revenue (table and slot revenues) represents the net win from gaming activities, which is the difference between the amounts wagered and payouts by the casino. Gaming revenues are net of accruals for anticipated payouts of progressive jackpots and liabilities under the Players Club Program.

Ancillary revenues include food, beverage, parking and Show Lounge revenue.

Food, beverage and parking revenue is recognized when the goods and services are provided. Show Lounge revenue is recognized when the event occurs.

Revenues exclude the retail value of food, beverage and other promotional allowances provided on a complimentary basis to guests. The cost of providing the complimentary items is included in direct operating expenses.

c) Customer loyalty program

As part of its customer loyalty initiative, SaskGaming offers a Players Club Program to patrons. Under the program, club members accumulate reward points based on a combination of average bet, theoretical hold percentage, game speed and length of play at slot machines and tables. Members can redeem their points for cash or vouchers for free or discounted goods or services. SaskGaming records the points earned as a reduction of gaming revenue. A liability is accrued for the estimated cost of the earned points balance at the end of the period under the Players Club Program. If the patron chooses to redeem their points for a voucher for free or discounted goods or services, the revenue is determined by the fair value of the undelivered goods and services and is deferred until the promotional consideration is provided.

d) Inventory

Inventory is stated at the lower of cost and net realizable value. The cost of inventory is determined using the most recent cost.

e) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts

of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. SaskGaming ceases to capitalize borrowing costs when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

Assets are depreciated commencing in the year in which they are available for use, using the straight-line method over their useful lives as follows:

| | |
|---|---|
| Building and renovations, including leased building | 5 - 40 years |
| Furniture and equipment | 3 - 20 years |

Depreciation methods and useful lives are reviewed at each financial year end and adjusted if appropriate.

f) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to SaskGaming. All other leases are classified as operating leases.

Assets held under a finance lease are initially recognized as assets of SaskGaming and are measured at their fair value at the inception of the lease, or if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between interest expense and reduction of the lease obligation so as to achieve a constant rate on the remaining balance of the liability. The interest component is included in finance expense.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

g) Employee benefits

(i) Defined contribution plan

SaskGaming provides pension benefits to eligible employees through participation in a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to the defined contribution pension plan are recognized as an employee benefit expense in the consolidated statement of comprehensive income when services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

h) Foreign currency

Transactions in foreign currencies are translated to the functional currency of SaskGaming at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. All gains and losses on translation of these foreign currency transactions are included in income in the current period.

i) Financial instruments

(i) Non-derivative financial assets and liabilities

SaskGaming classifies its financial instruments into one of the following categories: fair value through profit or loss; loans and receivables; and other liabilities. All financial instruments are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below.

Cash is classified as fair value through profit or loss and is recorded at fair value. Accounts receivable are classified as loans and receivable. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

SaskGaming has the following non-derivative financial liabilities which are classified as other liabilities: trade and other payables, payable to the General Revenue Fund, dividend payable, short-term advance and long-term debt. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

SaskGaming derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by SaskGaming is recognized as a separate asset or liability. SaskGaming derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when SaskGaming has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Embedded derivatives

Derivatives may be embedded in other host instruments and are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in net income.

SaskGaming had no contracts with embedded derivatives as at December 31, 2013 (December 31, 2012 – no embedded derivatives).

j) Impairment

(i) Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized.

(ii) Non-financial assets

The carrying amounts of SaskGaming's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

k) Finance income and finance costs

Finance income comprises interest income on bank balances. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and impairment losses recognized on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

l) Changes in accounting policies

The following new standards, and amendments to standards, effective for annual periods beginning on or after January 1, 2013, have been applied in preparing these consolidated financial statements:

IFRS 7 *Financial Instruments: Disclosures*
IFRS 10 *Consolidated Financial Statements*
IFRS 12 *Disclosure of Interests in Other Entities*
IFRS 13 *Fair Value Measurement*
IFRS 32 *Financial Instruments: Presentation*

The adoption of these standards had no material impact on the consolidated financial statements.

m) New standards and interpretations not yet adopted

Certain new standards, interpretations and amendments to existing standards were issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual accounting periods beginning after December 31, 2013. SaskGaming is assessing the impact of these pronouncements on its results and financial position. These include:

IFRS 9 "Financial Instruments" (IFRS 9 (2010)) expands on IFRS 9 as issued in 2009. The 2010 version has a significant impact on financial liabilities designated under the fair value option. In addition, IFRS 9 (2010) retains virtually all of the classification and measurement guidance in IAS 39 "Financial Instruments: Recognition and Measurement." The effective mandatory date has not been determined.

## 4. Property, Plant and Equipment

| (in 000s) | Land | Buildings and renovations | Furniture and equipment | Finance lease | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| Balance at January 1, 2012 | $ 15,154 | $ 41,724 | $ 30,768 | $ 8,743 | $ 96,389 |
| Additions | — | 1,087 | 4,160 | — | 5,247 |
| Disposals | — | — | (2,333) | — | (2,333) |
| Balance at December 31, 2012 | $ 15,154 | $ 42,811 | $ 32,595 | $ 8,743 | $ 99,303 |
| Balance at January 1, 2013 | $ 15,154 | $ 42,811 | $ 32,595 | $ 8,743 | $ 99,303 |
| Additions | — | 342 | 6,234 | — | 6,576 |
| Disposals | — | — | (2,308) | — | (2,308) |
| Balance at December 31, 2013 | $ 15,154 | $ 43,153 | $ 36,521 | $ 8,743 | $103,571 |
| **Depreciation** | | | | | |
| Balance at January 1, 2012 | $ — | $ 5,682 | $ 20,975 | $ 978 | $ 27,635 |
| Depreciation for the year | — | 2,983 | 3,580 | 489 | 7,052 |
| Disposals | — | — | (2,105) | — | (2,105) |
| Balance at December 31, 2012 | $ — | $ 8,665 | $ 22,450 | $ 1,467 | $ 32,582 |
| Balance at January 1, 2013 | $ — | $ 8,665 | $ 22,450 | $ 1,467 | $ 32,582 |
| Depreciation for the year | — | 3,164 | 2,931 | 489 | 6,584 |
| Disposals | — | — | (2,233) | — | (2,233) |
| Balance at December 31, 2013 | $ — | $ 11,829 | $ 23,148 | $ 1,956 | $ 36,933 |
| **Carrying Amounts** | | | | | |
| At December 31, 2012 | $ 15,154 | $ 34,146 | $ 10,145 | $ 7,276 | $ 66,721 |
| At December 31, 2013 | $ 15,154 | $ 31,324 | $ 13,373 | $ 6,787 | $ 66,638 |

SaskGaming leases building and land under a finance lease agreement. At December 31, 2013, the net carrying amount of leased building was $5,611,000 (December 31, 2012 - $6,100,000) and the leased land was $1,176,000 (December 31, 2012 – $1,176,000).

## 5. Payment to the General Revenue Fund

SaskGaming pays monies to the General Revenue Fund to the extent required to meet the Government's obligations under the *The Saskatchewan Gaming Corporation Act* to the First Nations Trust, the Community Initiatives Fund and the Métis Development Fund.

## 6. Short-term Advance

The short-term advance is due to the Government of Saskatchewan's General Revenue Fund. The advance has an interest rate of 1.01% and matures March 31, 2014.

## 7. Long-term Debt

| (in 000s) | Dec 31, 2013 | Dec 31, 2012 |
|---|---|---|
| Debt from the General Revenue Fund, bearing interest at 2.85% per annum, due December 1, 2014. Interest is paid semi-annually | $ 6,000 | $ 6,000 |
| Building loan, repayable in monthly instalments of $76,572 including interest at 6.48%, due December 1, 2016 | 2,499 | 3,230 |
| Building loan, repayable in monthly instalments of $67,790 including interest at 6.17%, due December 1, 2016 | 2,223 | 2,877 |
| | 10,722 | 12,107 |
| Current portion | (7,476) | (1,385) |
| | $ 3,246 | $ 10,722 |

The above loans, excluding the debt from the General Revenue Fund, are secured by assets and a general security agreement and may only be repaid early with a penalty.

Principal repayments required in the next three years are as follows:

| (in 000s) | |
|---|---|
| 2014 | $ 7,476 |
| 2015 | 1,572 |
| 2016 | 1,674 |
| | $ 10,722 |

## 8. Finance Lease Obligation

Beginning in September 2002, SaskGaming leased the Casino Moose Jaw property for 25 years at an annual cost of $900,000 for the first ten years, and $955,000 annually thereafter. At the end of the lease, SaskGaming will acquire the property for the sum of one dollar.

| (in 000s) | Dec 31, 2013 | Dec 31, 2012 |
|---|---|---|
| Total future minimum lease payments | $ 13,052 | $ 14,007 |
| Less: future finance charges on finance lease | (6,014) | (6,745) |
| Present value of finance lease obligation | 7,038 | 7,262 |
| Less: current portion of finance lease obligation | (955) | (955) |
| Finance lease obligation | $ 6,083 | $ 6,307 |

As at December 31, 2013, scheduled future minimum lease payments and the present value of finance lease obligation is as follows:

| (in 000s) | 1 year | 1 – 5 years | More than 5 years |
|---|---|---|---|
| Future minimum lease payments | $ 955 | $ 3,820 | $ 8,277 |
| Present value of finance lease obligation | 248 | 1,290 | 5,500 |

Fair value of the finance lease obligation is $8,206,000 (2012 - $9,003,000).

**9. Equity Advance**

As a Saskatchewan provincial Crown corporation, SaskGaming's equity financing is in the form of equity advances of $4,000,000 (2012 - $4,000,000) from CIC.

**10. Commitments and Contingencies**

a) Agreement with Regina Exhibition Association (Association)

On April 1, 1997, SaskGaming entered into an agreement with the Association to fulfil previous commitments made to the Association regarding the maintenance of a certain level of its income.

The Association terminated the agreement effective November 23, 1997. Under the termination provisions of the agreement, SaskGaming agreed to pay the Association monthly payments of $235,417 for the first year following termination of the agreement and, subject to certain conditions, monthly payments of $216,667 until 2027.

b) Agreement with Moose Jaw Exhibition Company Ltd. (MJEX)

On July 31, 2001, SaskGaming entered into an agreement with MJEX regarding the maintenance of a certain level of income upon the opening of Casino Moose Jaw.

Under this agreement, SaskGaming agreed to pay MJEX $34,583 monthly, subject to certain conditions, starting in 2003 and continuing until 2028.

c) Litigation and claims

SaskGaming is involved in litigation and claims that arise from time to time in the normal course of business. In the opinion of management, any liability that may arise from such contingencies would not have a material impact on the consolidated financial position or the consolidated results of operations of SaskGaming.

**11. Revenue**

| (in 000s) | 2013 | 2012 |
|---|---|---|
| Gaming revenue | $ 115,745 | $ 125,700 |
| Ancillary revenue | 10,920 | 11,278 |
| Other | 365 | 271 |
| | $ 127,030 | $ 137,249 |

Ancillary revenues include revenue from food and beverage, parking, Show Lounge and other non-gaming related activities.

## 12. Operating Expenses

| (in 000s) | 2013 | 2012 |
|---|---|---|
| Salaries and employee benefits | $ 42,512 | $ 40,659 |
| Employee future benefits | 1,863 | 1,889 |
| Maintenance and supplies | 7,452 | 6,697 |
| Advertising, promotions and sponsorships | 4,527 | 4,184 |
| Food and beverage cost of goods sold | 3,316 | 3,240 |
| Lease and rental | 2,324 | 2,960 |
| Printing and communication | 1,993 | 1,820 |
| Professional services | 1,972 | 2,021 |
| Entertainment | 1,910 | 2,050 |
| Other direct operating | 4,020 | 4,168 |
| | $ 71,889 | $ 69,688 |

## 13. Taxes

SaskGaming is on the prescribed list of lottery corporations pursuant to Section 188 of *The Excise Tax Act*. In lieu of collecting Goods and Services Tax (GST) on revenue at the retail level, SaskGaming calculates and remits GST according to a formula prescribed by the Canada Revenue Agency (CRA). The formula requires SaskGaming to pay 10 per cent on the purchase of goods and services related to gaming activities.

GST and provincial sales tax on leased equipment is expensed over the term of the lease. Also included in taxes are grants in lieu of property tax.

As a provincial Crown corporation, SaskGaming is not subject to federal or provincial income or capital taxes.

## 14. Finance Expense

| (in 000s) | 2013 | 2012 |
|---|---|---|
| Interest on long-term debt | $ 545 | $ 603 |
| Interest on finance lease obligation | 732 | 752 |
| | $ 1,277 | $ 1,355 |

## 15. Pension Plan

Substantially all of SaskGaming's permanent employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan administered by the Plan's Board of Directors. The Plan sponsor is CIC. The Capital Pension Plan is registered under *The Income Tax Act (Canada)* and is governed by the Superintendent of Pensions (Saskatchewan) in accordance with *The Pension Benefits Act (1992)*. SaskGaming's financial obligation is limited to making the employer's required contributions for current service. During the year, SaskGaming expensed $1,863,000 (December 31, 2012 - $1,889,000) for the employer's required contributions.

## 16. Bank Indebtedness

SaskGaming has established a line of credit of $3 million with its financial institution. The line of credit is unsecured. Interest is charged on the line of credit at the bank's prime rate. SaskGaming did not have any amount owing on the line of credit at December 31, 2013 (December 31, 2012 - nil).

## 17. Capital Management

SaskGaming's objectives when managing capital are to ensure adequate capital to support the operations and growth strategies of SaskGaming, and to ensure adequate returns to the shareholder.

SaskGaming funds its capital requirements through internal operating activities and debt. By Order-in-Council, SaskGaming may only borrow up to $56.2 million, which includes finance leases and temporary loans. SaskGaming also has an available line of credit of $3 million at a financial institution.

SaskGaming monitors capital on the basis of the debt to adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) ratio. The ratio is calculated as total debt divided by adjusted EBITDA. Total debt includes long and short term debt and finance lease obligation. Adjusted EBITDA is calculated as revenue less operating expenses.

For fiscal 2013, SaskGaming's goal is a debt to EBITDA ratio of 0.26.

The debt to EBITDA ratio is as follows:

| (in 000s) | 2013 | 2012 |
|---|---|---|
| Long-term debt | $ 10,722 | $ 12,107 |
| Short-term advance | 3,000 | — |
| Finance lease obligation | 7,038 | 7,262 |
| Total debt | $ 20,760 | $ 19,369 |
| Revenue | $ 127,030 | $ 137,249 |
| Operating expenses | 71,889 | 69,688 |
| EBITDA | $ 55,141 | $ 67,561 |
| Debt to EBITDA ratio | 0.38 | 0.29 |

## 18. Financial Risk Management

SaskGaming has exposure to the following risks from its use of financial instruments: market risk (foreign currency and interest rate risk), credit risk and liquidity risk.

a) Risk management

The Board of Directors has overall responsibility for the establishment and oversight of SaskGaming's risk management framework and is responsible for developing and monitoring SaskGaming's risk management policies.

SaskGaming's risk management policies are established to identify and analyze the risks faced by SaskGaming, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and SaskGaming's activities.

SaskGaming's Board of Directors oversees how management monitors compliance with SaskGaming's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by SaskGaming. The Board is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board of Directors.

b) Fair value

Fair values approximate amounts at which financial instruments could be exchanged in an orderly transaction between market participants based on current markets for instruments with similar characteristics such as risk and remaining maturities. Fair value measurements are subjective in nature, and represent point-in-time estimates which may not reflect fair value in the future.

The methods and assumptions used to develop fair value measurements have been prioritized into three levels as per the fair value hierarchy included in IFRS. Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities. Level two includes inputs other than quoted prices included in level one that are observable for the asset or liability. Level three includes inputs that are not based on observable market data.

The fair values of long-term debt and finance lease obligation are estimated by discounting the expected future cash flows using the interest rate of a Government of Canada bond with similar terms, adjusted for an appropriate risk premium.

The following table presents the carrying amount and fair value of SaskGaming's financial instruments. The table also identifies the financial instrument category and fair value hierarchy.

| (in 000s) | | | 2013 | | 2012 | |
|---|---|---|---|---|---|---|
| Financial Instruments | Classif-ication[1] | Fair Value Hierarchy | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Cash | FVTPL | Level One | $ 10,841 | $ 10,841 | $ 10,583 | $ 10,583 |
| Accounts receivable | L&R | N/A | 419 | 419 | 397 | 397 |
| Trade and other payables | OFL | N/A | 11,810 | 11,810 | 10,345 | 10,345 |
| Payable to the General Revenue Fund | OFL | N/A | 3,267 | 3,267 | 6,185 | 6,185 |
| Dividend payable | OFL | N/A | 1,578 | 1,578 | 5,455 | 5,455 |
| Short-term advance | OFL | N/A | 3,000 | 3,000 | — | — |
| Long-term debt | OFL | Level Two | 10,722 | 11,125 | 12,107 | 12,792 |

[1]Classification:
FVTPL - Fair value through profit and loss
L&R - Loans and receivables
OFL - Other financial liabilities

c) Foreign exchange risk

SaskGaming faces exposure to the U.S./Canadian dollar exchange rate through the purchase of goods and services payable in U.S. dollars. The risk is not considered significant. There has been no change in the risk exposure from 2012.

d) Interest rate risk

Interest rate risk is the risk of financial loss resulting from changes in market interest rates. SaskGaming may be exposed to interest rate risk on future borrowings, however this risk is not considered significant. SaskGaming has not provided a sensitivity analysis of the impact of interest rate changes on net income as all of SaskGaming's debt is at fixed interest rates. There has been no change in the risk exposure from 2012.

e) Credit risk

SaskGaming does not extend credit to its gaming customers. Credit risk is limited to its accounts receivable balance which consists primarily of credit extended to business entities for business functions held at the Show Lounge. Credit risk is not considered significant. There has been no change in the risk exposure from 2012.

f) Liquidity risk

Liquidity risk is the risk that SaskGaming is unable to meet its financial commitments as they become due or can only do so at excessive cost. SaskGaming manages its cash resources based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of SaskGaming's financial liabilities.

| **At December 31, 2013 (in 000s)** | | **Contractual cash flows** | | | | | |
|---|---|---|---|---|---|---|---|
| Financial Liabilities | Carrying Amount | Total | 0-6 months | 7-12 months | 1-2 years | 3-5 years | More than 5 years |
| Trade and other payables | $ 11,810 | $ 11,810 | $ 11,810 | $ — | $ — | $ — | $ — |
| Payable to GRF | 3,267 | 3,267 | 3,267 | — | — | — | — |
| Dividend payable | 1,578 | 1,578 | 1,578 | — | — | — | — |
| Short-term advance | 3,000 | 3,000 | 3,000 | — | — | — | — |
| Debt | 10,722 | 11,368 | 952 | 6,952 | 1,732 | 1,732 | — |
| Finance lease obligation | 7,038 | 13,052 | 478 | 478 | 955 | 2,865 | 8,276 |
| | $ 37,415 | $ 44,075 | $ 21,085 | $ 7,430 | $ 2,687 | $ 4,597 | $ 8,276 |

| **At December 31, 2013 (in 000s)** | | **Contractual cash flows** | | | | | |
|---|---|---|---|---|---|---|---|
| Financial Liabilities | Carrying Amount | Total | 0-6 months | 7-12 months | 1-2 years | 3-5 years | More than 5 years |
| Trade and other payables | $ 10,345 | $ 10,345 | $ 10,345 | $ — | $ — | $ — | $ — |
| Payable to GRF | 6,185 | 6,185 | 6,185 | — | — | — | — |
| Dividend payable | 5,455 | 5,455 | 5,455 | — | — | — | — |
| Debt | 12,107 | 13,272 | 952 | 952 | 7,903 | 3,465 | — |
| Finance lease obligation | 7,262 | 14,007 | 478 | 478 | 955 | 2,865 | 9,231 |
| | $ 41,354 | $ 49,264 | $ 23,415 | $ 1,430 | $ 8,858 | $ 6,330 | $ 9,231 |

Management believes its ability to generate funds will be adequate to support these financial liabilities. There has been no change in the risk exposure from 2012.

**19. Restructuring Program**

In 2013, management of SaskGaming implemented a restructuring program whereby certain employees of SaskGaming were terminated. Management estimates the costs associated with the restructuring, including severance payments, to be $3.2 million. These costs were expensed in 2013, and include $0.8 million in trade and other payables.

## 20. Related Party Transactions

SaskGaming is indirectly controlled by the Government of Saskatchewan through its ownership of SaskGaming's parent, Crown Investments Corporation (CIC) of Saskatchewan. Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to SaskGaming by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "government-related entities"). SaskGaming has elected to take a partial exemption under IAS 24 Related Party Disclosures which allows government related entities to limit the extent of disclosures about related party transactions with government or other government related entities.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. For the year ended December 31, 2013, the aggregate amount of SaskGaming's transactions with other government-related entities is approximately 6.4 per cent of direct operating expenses (December 31, 2012 – 6.9 per cent).

In addition, SaskGaming pays provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases. SaskGaming also collects liquor consumption tax from customers and remits to the Saskatchewan Ministry of Finance.

Other amounts and transactions due to and from related parties are described separately in these consolidated financial statements and the notes thereto.

Key management personnel compensation

In addition to salaries, SaskGaming provides non-cash benefits to key management personnel, defined as the President, Vice Presidents and Board members of SaskGaming. Key management personnel compensation is comprised of:

| (in 000s) | 2013 | 2012 |
|---|---|---|
| Short term employee benefits | $ 1,379 | $ 1,450 |
| Post-employment benefits (defined contribution pension plan) | 65 | 62 |
| | $ 1,444 | $ 1,512 |

## Community Relations

SaskGaming provided $640,071 in donations, sponsorships and in-kind support to 97 organizations in the communities where it operates. 21 per cent supported Aboriginal people and programs.

# GOVERNANCE

## Mandate and Authority

The Saskatchewan Gaming Corporation (SaskGaming) was established as a Treasury Board Crown corporation under *The Saskatchewan Gaming Corporation Act (1994)* with the mandate to establish and operate casinos in Saskatchewan. Effective April 1, 2008, SaskGaming became a Crown corporation under the direction of the Crown Investments Corporation (CIC) of Saskatchewan, the holding company for Saskatchewan's Crown corporations.

SaskGaming is accountable to the Government of Saskatchewan through a Board of Directors appointed by the Lieutenant Governor in Council. Through the Chair, the Board is accountable to the Minister responsible for SaskGaming.

SaskGaming operates Casino Regina and Casino Moose Jaw under the regulatory authority of the Saskatchewan Liquor and Gaming Authority (SLGA). Day-to-day operating practices at the casinos are governed by provincial regulations. SaskGaming also operates in accordance with statutory provisions under the Criminal Code of Canada and *The Alcohol and Gaming Regulation Act, 1997*.

### Profit Sharing

SaskGaming pays 50 per cent of its net income to the General Revenue Fund (GRF) to fulfill the government's legislated commitment to the First Nations Trust and the Community Initiatives Fund (CIF) as outlined in *The Saskatchewan Gaming Corporation Act*. Half of SaskGaming's commitment flows to the First Nations Trust and the other half flows to the CIF.

- The First Nations Trust distributes funding to all First Nations in the province and requires these funds to be spent on economic development, social development, justice, educational development, recreational facilities development and operation, senior and youth programs, cultural development, community infrastructure, health initiatives and other charitable purposes.
- The CIF is overseen by the Ministry of Parks, Culture and Sport and provides grants to initiatives that enhance human development and community vitality.
  - By agreement, a portion of the funds established for the CIF are allocated to the Métis Development Fund, also known as the Clarence Campeau Development Fund (CCDF). Its mission is to improve the economic circumstances of Saskatchewan's Métis people by providing funding for business development, community economic development, development of management skills and assistance to new and existing Métis owned businesses.
  - This agreement specifies an 80/20 split (CIF/CCDF) on the first $10 million and an equal share (50/50) of any remaining revenues.

The remaining 50 per cent of SaskGaming's net income is available for dividend distribution through CIC for other priorities of government. The unused portion remaining is retained by SaskGaming for future needs.

### Shareholder Direction and Communications

As the shareholder of SaskGaming, CIC establishes the general strategic direction (as it does for all subsidiary Crowns) and, in turn, SaskGaming supports that strategic direction.

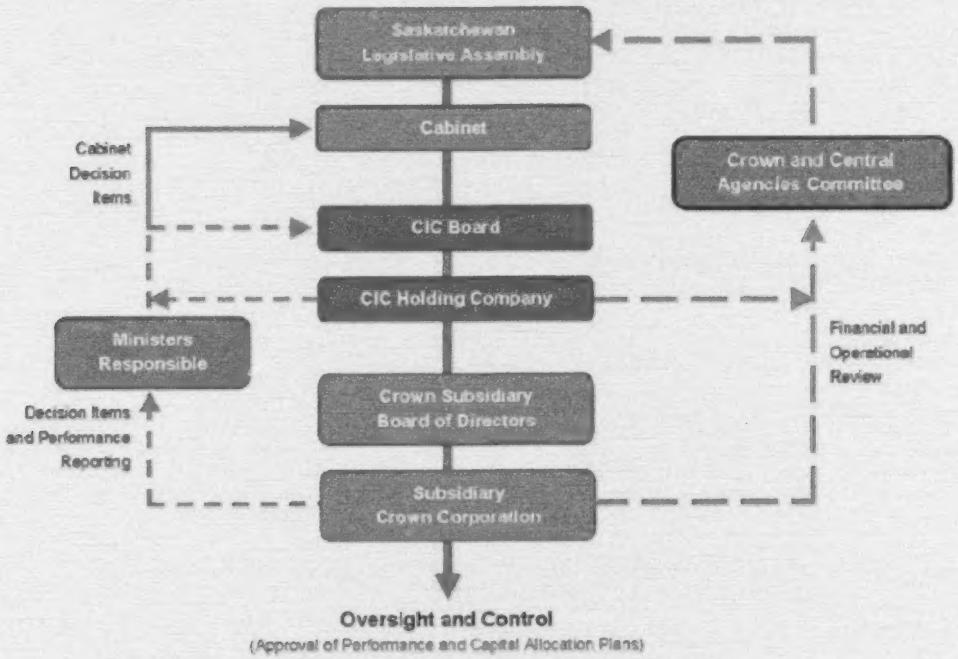
CIC communicates with SaskGaming through written policies or directives issued by CIC management or the CIC Board of Directors, and verbally through discussions with SaskGaming senior leaders. SaskGaming reports to CIC on a regular basis on matters such as the Balanced Scorecard results, financial statements and forecasts, capital expenditures and on an ad hoc basis as requested. Where required by legislation or directive, SaskGaming submits information and/or decision items for review and approval by CIC and the provincial Cabinet.

The President and Chief Executive Officer (CEO) of SaskGaming reports to a Board of Directors appointed by the Lieutenant Governor in Council. The Board is comprised of seven members, three of whom are nominated by the Federation of Saskatchewan Indian Nations (FSIN).

Through the Chair, SaskGaming's Board of Directors is accountable to the Minister responsible for SaskGaming. The Minister functions as a link between SaskGaming and provincial Cabinet, as well as the Legislative Assembly of Saskatchewan.

The Legislative Assembly appoints members to the Standing Committee on Crown and Central Agencies at the beginning of each legislative session. This committee holds public hearings and is empowered to review the annual report, financial statements and operations of Crown corporations and related agencies. The Minister responsible for SaskGaming and SaskGaming senior leaders are called before the Committee to answer questions about the year under review.

The following chart illustrates the accountability structure for Crown corporations:




## Regulatory Compliance

*The Saskatchewan Gaming Corporation Casino Amendment Regulations, 2006*, govern the day-to-day operating practices at Casino Regina and Casino Moose Jaw. SaskGaming is also subject to *The Financial Administration Act, The Tabling of Documents Act, The Crown Corporations Act, The Freedom of Information and Protection of Privacy Act and The Heritage Property Act.*

SaskGaming has detailed policies and procedures in place to ensure compliance with all regulatory standards, and also has a compliance officer tasked with ensuring we meet our obligations. SaskGaming representatives from Compliance and Internal Audit meet quarterly with SLGA compliance investigators to discuss operational matters and to review new or existing policies and procedures. SaskGaming senior leaders are also in regular contact with SLGA through written and verbal interactions.

# Role of the Board of Directors

The Board of Directors functions as a steward of the corporation and has a statutory authority and an obligation to manage the affairs and the business of the corporation. In satisfaction of this obligation, the Board provides oversight, while delegating to management the responsibility for day-to-day operations. The fundamental objective of the Board is to act in the best interests of SaskGaming, taking into account the public policy and business objectives of the corporation, with a view to enhancing shareholder value.

## Board Composition

The composition of the Board of Directors is set out in SaskGaming's governing legislation. The Board consists of not more than seven members, who are appointed by the Lieutenant Governor in Council. Three members of the SaskGaming Board are nominated by the FSIN and all directors serve for no more than three years. Cabinet may fill any vacancy that occurs on the Board.

## Board Appointment and Renewal

While the appointment of directors is ultimately made by the Lieutenant Governor in Council, it follows recommendations provided by CIC and the SaskGaming Board of Directors.

The Governance and Human Resources Committee leads the process for assessing the skills and competencies of Board and committee members to support the strategic direction and the operational needs of the corporation. The Committee, in compliance with the CIC Board of Directors Appointment Policy, reviews potential candidates and recommends approval of qualified candidates to the SaskGaming Board for consideration by the CIC Board of Directors. Recommendations may also include appropriate mix of skills, qualifications and expertise required for new directors.

The Governance and Human Resources Committee also reviews and recommends a candidate for Chair of the Board, reviews and makes recommendations regarding the composition of the Board and committees and reviews and recommends appropriate committee structure.

## Compensation Practices

Compensation rates for directors are set by the Board of Directors of CIC. Directors receive quarterly retainers when they are engaged in work for the corporation, including performance of any duties on behalf of the corporation or as a member of a Committee of the Board.

The CIC Board sets compensation rates according to the level of responsibility of the Board. The quarterly retainer for members of the SaskGaming Board of Directors is $5,000 for the Chair and $3,500 per director.

Committee Chairs also receive a quarterly retainer and members of committees receive a per diem for attendance at meetings. The Chair of the Audit and Finance Committee receives a $650 quarterly retainer and the Chair of the Governance and Human Resources Committee receives a $500 retainer. The maximum per diem for members of committees is $650 for a full day and $325 for a half day meeting.

Board expenses for the year ending December 31, 2013 totalled $150,824.

## Code of Conduct

Members of the SaskGaming Board of Directors are governed by the CIC Code of Conduct for Directors of subsidiary Crown corporations. The CIC Code assists the Boards of subsidiary Crowns to more effectively fulfill their statutory and fiduciary obligations, and maintain a reputation for the highest standards of public trust and confidence in serving the interests of all stakeholders. The Governance and Human Resources Committee serves as Ethics Advisor to the Board, administers and enforces the CIC Code and reports annually to the Board on compliance with the Code.

### CEO Assessment and Executive Compensation

The Board monitors and evaluates the performance of the President and CEO on an ongoing basis. The Governance and Human Resources Committee annually reviews and recommends to the Board the performance objectives, work plans and development plans for the President and CEO for the upcoming year. The Committee, with the Chair of the Board, conducts an annual performance review of the President and CEO, based on agreed-upon objectives and developmental initiatives, which are approved by the Board and updated each year. The Committee shares the results of the annual performance review with the Board.

The executive compensation plan for Saskatchewan Crown corporations is defined by the shareholder, CIC. As a result, executive compensation at SaskGaming aligns with the guidelines established by CIC. Within the guidelines set by CIC, the Governance and Human Resources Committee monitors and annually reviews the compensation and benefit programs, policies and incentive compensation plans for executive and recommends to the Board, where appropriate, any changes to the compensation levels for the President and CEO or executive. Incentive compensation is tied to the achievement of corporate targets and the extent to which the targets are achieved determines executive eligibility for performance compensation.

Direct reports of the CEO, including all executive members, are required by legislation to file and report the details of their compensation and benefits and any changes to the Clerk of the Saskatchewan Legislature within 14 days. In addition, the Crown and Central Agencies Committee of the Legislative Assembly requires all Crown corporations, including SaskGaming, to file an annual Crown Payee Disclosure Report which includes the total compensation of executive members. The report is available on the CIC public website. The Governance and Human Resources Committee and the Board annually review the details of the report.

### Succession Planning

SaskGaming has a workforce plan to ensure the corporation has the right people, competencies and skills needed to be successful. The workforce plan links to the Corporate Learning and Development Plan, through which SaskGaming manages the development of desired competencies.

In support of SaskGaming's commitment to training and development of employees, the Governance and Human Resources Committee approves and/or recommends the corporation's HR policies, guidelines, procedures and systems, and reports changes in policies to the Board. The Committee annually reviews and makes recommendations to the Board regarding the corporation's Succession Planning Framework that was developed in 2011 to help SaskGaming meet its current and long-term needs and ensures it can meet its business plan goals. The Committee semi-annually reviews updates regarding identified critical positions and associated mitigation plans.

The Committee is also responsible for the succession plan for the President and CEO, annually updating the position description outlining primary duties, responsibilities and accountabilities and making recommendations regarding the succession plan to the Board.

## Board Committees

The Board has the authority to appoint any committees that it considers necessary for conducting the business of the corporation. The Board has developed Terms of Reference prescribing the scope, duties and responsibilities of the committees it has appointed to assist it in fulfilling its obligations.

### Audit and Finance Committee

The mandate of the Audit and Finance Committee is to assist the Board in meeting its responsibilities by ensuring the adequacy and effectiveness of the corporation's financial reporting, internal controls, management information systems and risk management. The Audit and Finance Committee is directly responsible for the internal audit function, approving the internal audit charter, plan and resources and reviewing audit results. The Committee has responsibility to:

- oversee the work of the Internal Auditor and External Auditor;
- approve the Internal Auditor's annual audit plan, including any significant mid-year changes to the plan;
- resolve any disagreements regarding accounting, internal controls or auditing matters;
- retain independent counsel, accountants or others to advise the Committee as required, or to assist in conducting an investigation; and
- seek any information it requires from external parties or employees to conduct an investigation.

The Audit and Finance Committee has the authority to authorize investigations into any matter referred to it by the Board, or any other matter within the Committee's scope of responsibilities. The Committee meets in-camera with the corporation's Director of Internal Audit, as necessary, to better understand the information presented by Internal Audit or any other relevant issues. The Committee also meets regularly with the appointed External Auditor.

Key work of the Committee in 2013 included the review and recommendation for Board approval of the audit plan, 2013 Payee Disclosure Report, quarterly financial reports and quarterly Performance Management Plan reports.

In 2013, the Audit and Finance Committee held four meetings.

Members: Blair Ross (Chair), Chief Michael Starr, Ron Bruck (effective February 28, 2013), Chief Terry Lavallee (January – February 2013), Bonnie Wallin, Wes Becker (Ex-Officio).

## Governance and Human Resources Committee

The Governance and Human Resources Committee serves as an advisory body to the Board, providing leadership to the Board in relation to governance processes, policies and principles of the corporation and assisting the Board in nominating potential candidates for positions on the Board. The Committee oversees SaskGaming's overall employment environment and is responsible for the corporation's policies for human resource management, compensation and succession planning. This Committee also annually reviews and recommends to the Board the performance objectives, work plans and development plans for the President and CEO, and conducts an annual performance review of the President and CEO in conjunction with the Chair of the Board.

The Committee develops and reviews the effectiveness of the corporation's corporate governance practices and bi-annually reviews the Terms of Reference of the Board and its committees. The Committee annually reviews the corporation's diversity initiatives and monitors the Employee Code of Conduct Policy and other workplace policies. It serves as Ethics Advisor to the Board, administering and enforcing the CIC Directors' Code of Conduct and reporting annually to the Board on compliance with the Code.

A key initiative of the Committee in 2013 was the review and recommendation for Board approval of a Collective Bargaining Agreement with each of the four employee unions - Public Service Alliance of Canada (PSAC) Regina, Retail Wholesale and Department Store Union (RWDSU) Regina, RWDSU Moose Jaw and International Alliance of Theatrical Stage Employees (IATSE) Regina.

In 2013, the Governance and Human Resources Committee held four meetings.

Members: Bonnie Wallin (Chair - February to October 2013), Patricia Thomson (Chair - October 2013 to current), Ron Bruck, Wes Becker (Ex-Officio).

# Governance Practices

SaskGaming's approach to corporate governance is substantially consistent with the guidelines set out in the Canadian Institute of Chartered Accountants (CICA) Handbook and the Canadian Securities Administrators (CSA) National Policy 58-201 – Corporate Governance Guidelines and National Instrument 58-101 – Disclosure of Corporate Governance Practices.

The National Policy and National Instrument address the key areas of responsibility for effective corporate governance, including responsibility for stewardship of the corporation, the Board's role in working with management and the functioning of the Board. Although SaskGaming is not legally obligated to comply with CSA governance guidelines, the corporation has benchmarked its corporate governance practices against the CSA National Policy and National Instrument Guidelines in the following corporate governance scorecard.

| CSA National Policy 58-201 and National Instrument 58-101 Disclosure of Corporate Governance Practices | SaskGaming's Corporate Governance Practices | Consistent with CSA Guidelines? |
|---|---|---|
| **1. Board of Directors Composition**<br>The Board should have a majority of independent directors. | There are seven members on the SaskGaming Board appointed by the Lieutenant Governor in Council. The Federation of Saskatchewan Indian Nations (FSIN) nominates three Board members and the provincial Cabinet appoints four members. All directors are independent. | Yes |
| Disclosure of significant shareholders (ability to exercise the majority of votes to elect directors): | Saskatchewan Gaming Corporation, as a statutory Crown corporation, does not have any issued share capital. Although CSA is reviewing governance of controlled companies, this feature is not applicable to SaskGaming. | Not Applicable |
| (a) Disclose the identity of directors; and<br>(b) Describe who is independent and the basis for the determination of independence. | Wes Becker, Chair: Independent, retired banker.<br>Blair Ross, Vice-Chair: Independent, President and COO, co-founder of SRG Security Resource Group.<br>Ron Bruck, Independent, retired RCMP officer.<br>Bonnie Wallin, Independent, retired CEO of Mallard Diversified Services Inc.<br>Patricia Thomson, Independent, Director of Operations, Yorkton Tribal Council, FSIN appointee.<br>Michael Starr, Independent, Chief of the Starblanket First Nation, FSIN appointee.<br>Chief Terry Lavallee, Independent, Chief of the Cowessess First Nations, consultant, FSIN appointee.<br>None of the directors or their "associates" work with or for the corporation, or have material contracts or relationships with the corporation, or have received remuneration from the corporation in excess of the fees and compensation as directors or committee members or as directors of subsidiaries of the corporation. | Yes |
| (c) Indicate whether directors are directors of any other issuer that is a reporting issuer. | SaskGaming does not have share capital, and therefore is not an issuer. | Not applicable |

| CSA National Policy 58-201 and National Instrument 58-101 Disclosure of Corporate Governance Practices | SaskGaming's Corporate Governance Practices | Consistent with CSA Guidelines? |
|---|---|---|
| (d) Do directors hold regularly scheduled in-camera meetings to facilitate open and candid discussion? If so, how many meetings were held in the previous 12 months? | At each regular meeting the Board sets aside time on the agenda for an in-camera session where management is excused from the meeting. The Board held 10 meetings in 2013. | Yes |
| (e) The chair should be independent to provide leadership for the directors. | The Board structure of SaskGaming is such that the Chair of the Board is independent. | Yes |
| (f) Disclose the attendance record of each director for board meetings held in the most recently completed financial year. | The following are the attendance statistics for Board meetings:<br>Director — Board Meetings Attended<br>Wes Becker — 10<br>Blair Ross — 9<br>Ron Bruck — 10<br>Bonnie Wallin — 10<br>Patricia Thomson — 8<br>Michael Starr — 6<br>Terry Lavallee — 6<br>For the purposes of this report, members who attended meetings in part were considered to be present. | Provided |
| **2. Board Mandate**<br>The Board should adopt a written mandate which explicitly acknowledges responsibility for the stewardship of the corporation and which delineates its roles and responsibilities, including responsibility for: | The Board has written Terms of Reference that set out its responsibility to function as stewards of the corporation, and the obligation to manage the affairs and business of the corporation. While the fundamental objective of the Board is to act in the best interests of the corporation, the Board has a responsibility to ensure congruence among shareholder expectations, corporate plans and management performance. Terms of Reference are available to the public on the corporate website.<br>The Board adopts an Annual Work Plan to ensure the duties and responsibilities identified in the Terms of Reference are scheduled to be achieved. | Yes |
| (a) Satisfaction regarding the integrity of the Chief Executive Officer (CEO) and executive and the creation of a culture of integrity; | The CEO and executive act in accordance with the governing legislation, the corporation's Code of Business Conduct and Ethics Policy and Board Terms of Reference which are available to the public on the corporate website.<br>The Board has approved the "Integrity Matters" policy which provides a mechanism for anonymous internal reporting of actual or potential business misconduct.<br>Each of the committees established by the Board has its own Terms of Reference, which are available on the corporate website. Board members are also governed by the Client Code of Conduct for Directors. | Yes |

| CSA National Policy 58-201 and National Instrument 58-101 Disclosure of Corporate Governance Practices | SaskGaming's Corporate Governance Practices | Consistent with CSA Guidelines? |
|---|---|---|
| (b) The adoption of a strategic planning process and approval of a strategic plan that takes into account, among other things, the opportunities and risks of the business; | SaskGaming has an integrated strategic planning process using the balanced scorecard methodology to build clarity about the strategic direction, ensure alignment with shareholder priorities and to translate that direction into a results-focused, actionable performance plan.<br><br>At the beginning of the process the Board of Directors engaged in a strategic planning event to review the environmental scan, determine the risks and impact on the corporation and the shareholder and determine a set of priorities for action over the next three to five years. | Yes |
| (c) The identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks; | Management and the Board developed an integrated Enterprise Risk Management Framework in 2009 that integrated the corporation's risk management program into its annual planning process.<br><br>Risk is an important responsibility for the Board. It receives and discusses reports on corporate-wide risks and mitigation strategies quarterly, it receives a quarterly report on compliance with gaming regulations and instituted a quarterly compliance certificate process for the CEO in 2012. | Yes |
| (d) Succession planning, including appointing, training and monitoring senior management; | SaskGaming has a workforce plan to ensure the corporation has the right people, competencies and skills needed to be successful. The workforce plan links to the Corporate Learning and Development Plan, through which SaskGaming manages the development of desired competencies.<br><br>In support of SaskGaming's commitment to training and development of employees, the Governance and Human Resources Committee approves and/or recommends the corporation's HR policies, guidelines, procedures and systems, and reports changes in policies to the Board. The Committee annually reviews and makes recommendations to the Board regarding the corporation's Succession Planning Framework that was developed in 2011 to help SaskGaming meet its current and long-term needs and ensures it can meet its business plan goals. The Committee semi-annually reviews updates regarding identified critical positions and associated mitigation plans.<br><br>The Committee is also responsible for the succession plan for the President and CEO, annually updating the position description outlining primary duties, responsibilities and accountabilities and making recommendations regarding the succession plan to the Board. | Yes |
| (e) A communications policy for the corporation; | SaskGaming is committed to the principles of transparency, openness and timeliness in communications with its owner, employees, stakeholders and the public. The corporation complies with communication requirements set by the shareholder. The Board approved a Communications policy in 2009 that the corporation continues to follow. | Yes |

| CSA National Policy 58-201 and National Instrument 58-101 Disclosure of Corporate Governance Practices | SaskGaming's Corporate Governance Practices | Consistent with CSA Guidelines? |
|---|---|---|
| (f) The integrity of the corporation's internal control and information management systems; | The Board has appointed an Audit and Finance Committee to assist the Board in fulfilling its responsibilities with respect to the adequacy and integrity of the corporation's financial reporting, internal control systems, risk management and relationship with external auditors.<br>The Audit and Finance Committee reviews the corporation's Information Technology Plan annually. | Yes |
| (g) Development of approach to corporate governance, principles and guidelines; | The Governance and Human Resources Committee is mandated through its Terms of Reference to be responsible to the Board for the development, review and effectiveness of SaskGaming's corporate governance practices. The Committee also serves as the ethics advisory to the Board.<br>SaskGaming undertook its annual review of the Board's and Board Committee's Terms of Reference in 2013, which includes decision-making protocols, accountabilities and relationship management with our external stakeholders. Revised Terms of Reference for Board and Committees are available to the public on the corporate website. | Yes |
| (h) General mandate re: stakeholder relations, and expectations and responsibilities of directors. | The duties of directors are set out in legislation. A Code of Conduct applicable to the directors of all subsidiary Crown corporations also guides members of the Board.<br>The primary responsibility of the Board of Directors is to foster the long-term success of the corporation consistent with the Board's responsibility to its shareholder.<br>The Chair of the Board participates in a CIC Chairs forum conducted by the statutory shareholder, where feedback and communication is provided to all Crown corporation Board Chairs on the expectations of the Holding Company as representatives of the shareholder.<br>Building on the base of directors' duties outlined in legislation, the Terms of Reference for the Board and its Committees are reviewed annually. | Yes |
| **3. Position Descriptions**<br>(a) The Board should develop position descriptions for the chair of the Board and Chair of each Board Committee; | The Board has developed position descriptions for the Chair of the Board, the Committee Chairs and individual directors which sets out the duties and responsibilities of each. | Yes |
| (b) Together with the CEO, develop a position description for the CEO delineating management's responsibilities and approving corporate goals and objectives that the CEO is responsible to meet. | The Board has developed the Board's Terms of Reference which outline the responsibilities of the Board and Management.<br>The Board has approved a position description that sets out the primary duties, responsibilities and accountabilities of the President and CEO.<br>The Board has also approved policies for expenditure authorities for the President and CEO and executive officers. These policies clearly outline the limits of their authorities and the levels for which matters must receive Board approval.<br>The Board reviews and approves the annual Management Performance Plan, Balanced Scorecard targets and budget. The President and CEO is expected to deliver these outcomes. | Yes |

| CSA National Policy 58-201 and National Instrument 58-101 Disclosure of Corporate Governance Practices | SaskGaming's Corporate Governance Practices | Consistent with CSA Guidelines? |
|---|---|---|
| **4. Orientation and Continuing Education**<br>The Board should ensure new directors receive comprehensive orientation and fully understand the role and the contribution they are expected to make; and, the Board should provide continuing education opportunities for all directors. | The Governance and Human Resources Committee has responsibility to provide an appropriate orientation program for new directors and a continuing education program for all directors.<br>Directors receive an orientation to the corporation and the industry from Management. CIC delivers a comprehensive training program for directors focusing on best governance practices and the Board's role and responsibilities. | Yes |
| **5. Code of Business Conduct and Ethics**<br>(a) The Board should adopt a written code of business conduct and ethics applicable to directors, officers and employees of the corporation which is designed to promote integrity and deter wrongdoing. The code should address conflicts of interest, protection, proper use of corporate assets and opportunities, confidentiality, fair dealing, compliance with laws, rules and regulations and provide a mechanism to report illegal or unethical behaviour. | Directors of the corporation are required to abide by CIC's Directors' Code of Conduct. The Governance and Human Resources Committee, as the Ethics Advisor to the Board, is required to administer, monitor and enforce the Directors' Code of Conduct, which includes reporting annually to the Board concerning compliance. Directors have an ongoing obligation to inform the Board of any material changes in their circumstances or relationships which may affect the Board's determination of their independence.<br>The Governance and Human Resources Committee annually reviews the enforcement of and compliance with corporate policies related to employee conduct, harassment and violence in the workplace. | Yes |
| (b) The Board should monitor compliance with the code and grant any waivers required for directors and executive officers. Any waivers for a material departure from the code for any directors or officers should be granted by the Board. | The Governance Committee monitors and reports annually to the Board concerning compliance with the CIC Directors' Code of Conduct. The Committee also advises directors on conflicts of interest, including actions for avoiding a conflict or potential conflict of interest.<br>No waivers were granted in 2013. | Yes |
| **6. Nomination of Directors**<br>(a) The Board should appoint a nominating committee composed of entirely independent directors, with a written charter establishing the Committee's purpose, responsibilities, member qualifications, appointment, removal, structure and operations. | SaskGaming does not have a separate nominating committee; however, SaskGaming's Governance and Human Resources Committee performs the function of a nominating committee.<br>As stated in the Terms of Reference, the Committee will, in compliance with the Crown Investments Corporation Board of Directors Appointment Policy, review potential candidates and recommend approval of qualified candidates to the Board for consideration by the CIC Board of Directors. The Committee also reviews and recommends a candidate for appointment of Chair of the Board, reviews and makes recommendations regarding the composition of the Board and the Committees and reviews and recommends appropriate Committee structure.<br>All of the Governance and Human Resources Committee members are independent. | Yes |

| CSA National Policy 58-201 and National Instrument 58-101 Disclosure of Corporate Governance Practices | SaskGaming's Corporate Governance Practices | Consistent with CSA Guidelines? |
|---|---|---|
| (b) The Board should adopt a nomination process which first considers the competencies and skills of the board as a whole; assesses the competencies and skills possessed by each existing director; and, identifies competencies and skills each new nominee would bring to the Board, including the ability to devote sufficient time and resources to the job. | The Governance and Human Resources Committee is responsible for assessing the skills and competencies of Board and Committee members to support the strategic direction and the operational needs of the corporation. The Board may make recommendations to the CIC Board respecting the appropriate mix of skills, qualifications and expertise required for new directors.<br><br>The Board has developed position descriptions for the Chair of the Board, the Committee Chairs and individual directors which set out the duties, responsibilities and expectations of each position.<br><br>(For reference: *The Saskatchewan Gaming Corporation Act* requires appointment of directors through Order-in-Council, and limits the Board to recommend candidates only.) | Yes |
| **7. Compensation**<br><br>(a) The Board should appoint a compensation committee composed entirely of independent directors, with a written charter to establish the committee's purpose, responsibilities, member qualifications, appointment, removal, structure, operations and manner of reporting to the Board. | The Board has appointed a Governance and Human Resources Committee, which has responsibility to make recommendations to the Board on human resource and compensation-related matters. Written Terms of Reference prescribe the scope, duties and responsibilities of the Committee. The Committee has been given the authority to retain any outside advisor it deems necessary.<br><br>The Board monitors and evaluates the performance of the President and CEO on an ongoing basis. The Governance and Human Resources Committee conducts an annual performance review of the President and CEO.<br><br>The Governance and Human Resources Committee is comprised of independent directors. | Yes |
| (b) The compensation committee should be responsible for reviewing and approving corporate goals and objectives relative to the CEO's compensation, the CEO's performance in light of those corporate goals and objectives and determining the CEO's compensation level based on the evaluation; as well as reviewing executive compensation prior to public disclosure. | The Governance and Human Resources Committee annually reviews and recommends to the Board the performance objectives, work plans and development plans for the President and CEO for the upcoming year.<br><br>The Committee, with the Chair of the Board, conducts an annual performance review of the President and CEO, based on agreed-upon objectives and developmental initiatives, which are approved by the Board and updated each year. The Committee shares the results of the annual performance review with the Board.<br><br>The Committee reviews the President and CEO position profile as required, or at least every three years, and recommends any amendments to the Board for approval.<br><br>The executive compensation plan for Saskatchewan Crown corporations is defined by CIC. As a result, executive compensation at SaskGaming aligns with the guidelines established by CIC. Within the guidelines set by CIC, the Governance and Human Resources Committee monitors and annually reviews the compensation and benefit programs, policies and incentive compensation plans for executive and recommends to the Board, where appropriate, any changes to the compensation levels for the President and CEO or executive. Incentive compensation is tied to the achievement of corporate targets and the extent to which the targets are achieved determines executive eligibility for performance compensation. | Yes |

| CSA National Policy 58-201 and National Instrument 58-101 Disclosure of Corporate Governance Practices | SaskGaming's Corporate Governance Practices | Consistent with CSA Guidelines? |
|---|---|---|
| (b continued)<br>The compensation committee should be responsible for reviewing and approving corporate goals and objectives relative to the CEO's compensation, the CEO's performance in light of those corporate goals and objectives and determining the CEO's compensation level based on the evaluation; as well as reviewing executive compensation prior to public disclosure. | Direct reports of the CEO, including all executive members, are required by legislation to file and report the details of their compensation and benefits and any changes to the Clerk of the Saskatchewan Legislature within 14 days. In addition, the Crown and Central Agencies Committee of the Legislative Assembly requires all Crown corporations, including SaskGaming, to file an annual Crown Payee Disclosure Report which includes the total compensation of executive members. The report is available on the CIC public website. The Governance and Human Resources Committee and the Board annually review the details of the report. | Yes |
| (c) The compensation committee should be responsible to make recommendations to the Board with respect to director compensation. | Compensation levels for directors, the Chair of the Board and Committee Chairs are set by the CIC Board of Directors. | Yes |
| **8. Other Board Committees**<br><br>Identify standing committees other than audit, compensation and nominating, and describe their function. | The Board has the authority to appoint any committee it considers necessary for the efficient conduct of the affairs and business of the corporation.<br><br>The Governance and Human Resources Committee serves as a nominating committee to the Board. | Yes |
| **9. Board Assessments**<br><br>The Board, its committees and each individual director should be regularly assessed with respect to their effectiveness and contribution in terms of the board or committee's terms of reference, or an individual director's position description and competencies and skills. | The Board follows a process to evaluate the performance of the Board, Board Chair, Committees, Committee Chairs and individual directors. Evaluations are conducted bi-annually, with the Board and Board Chair evaluated one year, and the Committees, Committee Chairs and directors evaluated in alternate years. | Yes |

# Board of Directors

**Wes Becker**, Chair, of Regina, Saskatchewan retired from a career with CIBC having held various management positions, primarily within the Bank's Commercial Banking division. Prior to retirement Mr. Becker acted as the Program Director for the Agricultural Value-Added Loan Program, a partnership between CIBC, FCC and Western Economic Diversification. A fellow of the Institute of Canadian Bankers Professional Banking Program, Mr. Becker has served as Chair of Saskatchewan Gaming Corporation since April 1, 2008.

**Blair Ross**, Vice-Chair (Chair, Audit and Finance Committee), of Regina, Saskatchewan is co-founder of SRG Security Resource Group Inc. a Saskatchewan-based Security firm providing Investigation, Security Patrol, 24 CCTV real-time monitoring and Information Technology Security services across Western Canada. He has over 22 years of experience in business with the majority of his experience gained in the private security industry. In those 22 years he has built and managed security operations from the ground up. He has managed the security personnel at large scale events (i.e. the Pan American Games in Winnipeg) across Western Canada. A recipient of an Honourary Lifetime Big Brother award for his volunteer commitment, he also has co-chaired the CTV Sandra Schmirler Charity Golf Classic.

Board of Directors Standing (left to right):
Blair Ross, Chief Terry Lavallee, Ron Bruck, Dale Bloom (CIC Corporate Secretary), Chief Michael Starr, Wes Becker

Seated (left to right):
Bonnie Wallin, Patricia Thomson

**Ron Bruck** of Moose Jaw, Saskatchewan served with the Royal Canadian Mounted Police (RCMP) throughout Saskatchewan, including eight years as Sergeant and Detachment Commander in Moose Jaw, before retiring in 2006. Mr. Bruck was awarded the RCMP's 35-year Long Service Medal Gold Clasp, the Commanding Officer's Commendation, Queen's Golden Jubilee Medal and the Saskatchewan Protective Services Medal. His past and present volunteer activities include Boy Scouts Canada, the Saskatchewan Minor Hockey Association, Royal Canadian Legion, Rural Crime Watch, Neighbourhood Watch, Moose Jaw Regional Inter-Sectoral Committee and Victim Services Board of Directors.

**Bonnie Wallin** (Chair, Governance and Human Resources Committee, February to October 2013), of Wadena, Saskatchewan has spent the past 30 years working with adults with intellectual disabilities. She is recently retired and is a past member of the Saskatchewan Association of Rehabilitation Center's Board of Directors. She has also served as a member of the SGI Board of Directors. She is a former Chair of the Wadena Economic Development and Tourism Committee, a past Worthy Matron of the Order of the Eastern Star (Wadena chapter) and is an active member of the Royal Canadian Legion and Chair of the Wadena Community Cares Foundation.

**Patricia Thomson** (Chair, Governance and Human Resource Committee, October 2013 to current), a member of Carry the Kettle First Nation, is a wife, mother and grandmother. She is currently employed with Yorkton Tribal Council as the Director of Operations. She has an extensive background in the areas of program management, development, implementation and delivery of First Nations services. She has worked her way from the front line delivery of services to development and implementation of a wide range of services impacting First Nations people within the First Nations, provincial and federal governments. She has served on numerous boards, locally, regionally and nationally and continues to offer input into approaches that are sensitive to the needs of First Nations people, fosters relationships and builds trust and understanding among partners.

**Chief Michael Starr** of the Starblanket First Nation represents File Hills Qu'Appelle Tribal Council on the Indian Gaming Regulators (IGR) Board of Directors. He formerly served five conservative three-year terms on council where his primary work was in the area of Education, Sports and Recreation and Youth. Chief Starr encourages and promotes the treaty principles among youth, stating, "They are our future leaders and knowledge keepers." Chief Starr has been very active in sports, particularly hockey and continues his physical fitness with outdoor biking. In addition to outdoor sporting activities, Chief Starr lives a non-intrusive lifestyle by attending traditional ceremonies and spending quality time with his family.

**Chief Terry Lavallee** of the Cowessess First Nation was raised and attended school at Cowessess and Broadview, graduated from Sheldon Williams High School in Regina and later attended the University of British Columbia and the University of Alberta. After leaving home he spent time in Toronto where he organized cultural activities and founded a cultural dance group called "Indian Canada." Other accomplishments include: conducting audio-visual programming at the University of Alberta and Muskwachee Cultural College in Hobbema, Alberta; and organizing and maintaining a provincial sports organization in Alberta. On the national level, Chief Lavallee was a member of the Council of Aboriginal Leaders for the Bank of Montreal, and he is a member of the National Environment Committee. He also served on the board of the Saskatchewan Indian Federated College. Chief Lavallee has a Bachelor of Arts degree in Political Science and Administration from the University of Regina, and operates his own Red Thunder consulting firm.

## Executive Team

**Twyla Meredith, CMA, FCMA, President and CEO**
Twyla joined SaskGaming in 1995, and served as Senior Vice President of Finance and Administration prior to her appointment as A/President and CEO in 2008.

She helped change the face of SaskGaming, leading the project teams that brought the addition of the Casino Regina Show Lounge, pedway and parking garage, and the opening of Casino Moose Jaw in 2002.

A dedicated volunteer, Twyla's community involvement includes serving on the Board of Directors for the Saskatchewan Roughriders, Canadian Gaming Association and 3sHealth. She was also chair of the CIS Women's Basketball Championship at the University of Regina and has served on the boards of Capital Pension Plan, Regina Downtown (Finance Chair), the Hospitals of Regina Foundation and Financial Executives International.

Twyla holds a Bachelor of Administration from the University of Regina, is a Certified Management Accountant and a Fellow of Chartered Institute of Management Accountants. Prior to joining SaskGaming, she held positions at the Department of Justice, the Department of Finance and Saskatchewan Government Insurance.

**Gerry Fischer, Chief Operating Officer**
Gerry has been part of the SaskGaming team since day one, coming on board in 1996 as Director of Sales and Promotions. He became Vice President of Marketing the following year. In 2005, Gerry became the Vice President of Operations and was named the Chief Operating Officer in 2013.

With a strong background in corporate fundraising and event organization, Gerry has worked with groups including the Hospitals of Regina Foundation, the Canadian Master's Summer Sports Festival and the Children's Health Foundation.

His previous volunteer activities including chairing the Admin Student Alumni Association at the University of Regina, working as Vice-President of Marketing for the 2005 Grey Cup, and working with Tourism Regina (Vice-Chair), Tourism Moose Jaw, the McCain TSN Skins Game (Marketing Chair), the Prairie Fire Rugby Club and the Juvenile Diabetes Association.

Currently, Gerry serves as Vice Chair of the Regina Downtown Business Improvement District and as a member of the Royal Regina Golf Club board.

Gerry holds a degree in Economics and a Bachelor of Administration from the University of Regina.

SaskGaming Executive
(left to right):
Bob Arlint, Blaine Pilatzke,
Susan Flett, Gerry Fischer,
Twyla Meredith, Tony Coppola

**Tony Coppola, CMA, Chief Financial Officer**
Tony completed his BA Honours Degree in Economics at University of Regina and his Master's degree in Economics at Simon Fraser University. Continuing education has included completion of the Executive Program at Ivey, the Queen's Leadership program, the Casino Executive Development Program, University of Nevada, Reno and recently a Certified Management Association (CMA) designation.

In his 20 year career at SaskTel he served in a variety of roles including regulatory, finance, marketing of the wireless portfolio, business development for wireless, strategic planning and international work with SaskTel International. He led the launch of several new business opportunities including SaskTel's security monitoring (SecurTek), vehicle tracking (LoadTrak), well head monitoring (SiteLink), wireless point of sale terminals and a wireless network build in Trinidad and Tobago.

In June of 2006, he moved to Saskatchewan Gaming Corporation as the Senior Vice President of Marketing and Product Development. In March of 2009, he assumed the role of Senior Vice President of Finance and Administration which included responsibility for finance, procurement, facilities planning, strategic planning and reporting, business process improvements, and information technology. Tony became the Chief Financial Officer in 2013 and also assumed responsibility for the casino banking operations.

Tony has served as a Director for Tourism Regina and Director for Tourism Saskatchewan. He is currently a Director on the Board for the Regina Regional Opportunities Commission where he served as Board Chair for over four years.

**Susan Flett, Chief Marketing Officer**
Susan joined SaskGaming in 2000 as Director of Player Relations and went on to become Director of Marketing in 2004. In 2010, Susan was appointed Vice President of Marketing and became the Chief Marketing Officer in 2013.

Before joining the corporation, Susan held positions at Crown Life Canada, Crown Investments Corporation and Saskatchewan Transportation Company.

In 1999, Susan was honoured with the Lieutenant Governor's Medal for Outstanding Public Service in Saskatchewan, as a part of the Crown Investments Corporation of Saskatchewan Strategic Management Team and Corporate Secretariat.

In the community, Susan has served as a Director for the Moose Jaw Multiplex, is currently a member of the Tourism Executive Committee and a Director on the Regina Symphony Orchestra board.

Susan completed her Bachelor of Administration at the University of Regina. She also holds a Queen's University Certificate in Human Resource Management and completed the Executive Program at Queen's University.

**Bob Arlint, Executive Director, Risk and Compliance**
Bob joined SaskGaming in 2001 as a Gaming Control Officer. He later accepted the position of Manager of Gaming Control and Director of Security. Bob accepted the role of Vice President of Corporate Risk and Compliance in 2006, and became the Executive Director of Risk and Compliance in 2013.

Bob completed his undergraduate education in the Northwest Territories before studying Social Work at Red Deer College. He then returned north to work for the Government of the Northwest Territories Department of Social Services. In 1976, he joined the Royal Canadian Mounted Police and served for 25 years in various postings throughout the Northwest Territories and Saskatchewan.

In the community, Bob is a member of the City of Regina's Crime Prevention Sub-Committee and also serves on the Board of Directors of the Gaming Security Professionals of Canada. He is also an actively involved and a voting member of the Responsible Gambling Sub-Committee of the Interprovincial Lottery Corporation of Canada.

**Blaine Pilatzke, Executive Director, Human Resources**
Blaine attended the University of Saskatchewan and graduated from the University of Regina.

Blaine spent 17 years working in the labour relations field before coming to SaskGaming in 2004 as Director of Labour Relations. He was appointed the Vice President of Human Resources in 2007 and became the Executive Director of Human Resources in 2013.

Prior to his labour relations career, Blaine worked as a Primary Products Inspector for the Food Production and Inspection branch of Agriculture Canada. There he became active in his union local, and in 1987 he became a Regional Representative with the Public Service Alliance of Canada.

In the community, Blaine serves as a member of the Capital Pension Board.

# Optimal Balanced Scorecard Targets Appendix

Beginning in 2014, 14 of the 18 measures within SaskGaming's Balanced Scorecard will have long-term optimal targets. These targets are intended to benchmark success for the corporation. The development of these targets was a two-stage process completed over two years. The remainder of this appendix outlines the timing of when targets were chosen for specific measures and the associated rationales.

## 2013-17 PMP/BSC

In 2012, SaskGaming developed long-term targets on five measures in its Balanced Scorecard (BSC) within the 2013-17 Performance Management Plan (PMP) at the direction of Crown Investments Corporation (CIC). SaskGaming chose the targets listed based on a combination of analysis completed by an external consultant (HLT Advisory Inc.) and its own internal analysis:

- Employee Satisfaction;
- EBITDA Margin;
- Debt-EBITDA Ratio;
- Capital Asset Turnover Ratio; and
- Payroll Margin.

SaskGaming chose these targets based on HLT Advisory Inc.'s Financial Ratio Analysis report completed in 2011 and its own internal analysis completed in 2012. The rationale for the optimal targets was chosen based on:

1. SaskGaming's historical results;
2. The 2013 Budget forecast for these measures;
3. An assessment of the financial measures in other casino's annual reports; and
4. SaskGaming's experience in influencing these measures.

The following explains the rationales for the long-term optimal targets that were chosen.

### Employee Satisfaction

If the 55th percentile target is reached, this will represent real progress on this measure. Further, it is a realistic, achievable target given the corporation's recent performance on this measure. Lastly, under the methodology used to calculate the measure, each five percentile change is considered statistically significant (i.e. can be considered to be different from previous surveys). Therefore, if the target is achieved, this represents measurable change statistically for the corporation.

### EBITDA Margin

The 2013 Budget's five-year forecast indicated a declining trend for this measure. Therefore, 47 per cent represented a real achievement.

### Debt-EBITDA Ratio

The interpretation of this ratio is the amount of time it would take to generate enough net income to fully pay down the corporation's debt. A target of 0.25 for this measure implies that SaskGaming can repay its debt with three months' worth of net income. Therefore, this target will allow SaskGaming to maintain low, manageable levels of debt while still affording flexibility to refresh the facilities when required. Furthermore, choosing a lower target (e.g. 0.20) will not appreciably improve SaskGaming's performance in this area but may limit future flexibility for the corporation.

### Capital Asset Turnover Ratio

This variable measures the effectiveness of generating revenues from the corporation's capital assets. The target of 2.5 represents a stretch target that is achievable only if the corporation is able to increase its revenue growth further than expected.

### Payroll Margin

The target of 32.0 per cent has been chosen due to the upward pressure on payroll margin through the forecast period.

**SaskGaming's 2013-17 Long-Term Optimal Balanced Scorecard Targets**

| TARGET | EMPLOYEE SATISFACTION[1] | EBITDA MARGIN | DEBT-EBITDA RATIO | CAPITAL ASSET TURNOVER RATIO | PAYROLL MARGIN |
|---|---|---|---|---|---|
| **2007-2011 AVG.** | 48.0%[2] | 48.8% | 0.48 | 1.9 | 30.3% |
| **2012 YTD[3]** | 48.0%[4] | 49.4% | 0.30 | 2.0 | 31.6% |
| **2013-17 FORECAST** | | | | | |
| **2013** | N/A | 47.9% | 0.26 | 2.1 | 30.8% |
| **2014** | 53.0% | 47.3% | 0.15 | 2.2 | 31.2% |
| **2015** | N/A | 46.9% | 0.12 | 2.3 | 31.4% |
| **2016** | 56.0% | 46.4% | 0.18 | 1.8 | 31.7% |
| **2017** | N/A | 45.9% | 0.18 | 1.9 | 32.0% |
| **2013-17 FORECAST AVG.** | 54.5% | 46.9% | 0.18 | 2.2 | 31.4% |
| **RECOMMENDED OPTIMAL TARGETS** | 55.0% | 47.0% | 0.25 | 2.5 | 32.0% |

1. SaskGaming's Employee Satisfaction Survey is a bi-annual survey last completed in 2012.
2. SaskGaming's Employee Satisfaction Survey, using the National Business Research Institute (NBRI) methodology, was started in 2010. Therefore, the Employee Satisfaction measure is not an average but a point estimate.
3. 2012 results for the financial measures are as of September 30, 2012 (i.e. Q3 2012). They were the cumulative, year-to-date results available when the analysis was completed.
4. This result is based on the 2012 Employee Satisfaction survey conducted in spring 2012.

The 2014-18 Long-Term Optimal Balanced Scorecard Targets table indicates the corporation has struggled to make progress towards the long-term optimal targets in 2013 on all four financial measures indicate (note: the only non-financial measure in the group, Employee Satisfaction, is measured bi-annually and was not measured in 2013). As noted elsewhere, management completed an organizational re-structuring in October 2013 resulting in an approximate reduction of 25 per cent of its out-of-scope staff. This will put the corporation back on track to meet or exceed most of these long-term, optimal targets through the 2018 forecast period. Employee Satisfaction is anticipated to dip in 2014 as a result of the organizational re-structuring completed in 2013 before beginning progress back towards the long-term target for this measure.

## 2014-18 PMP/BSC

SaskGaming built upon the initial work in this area by adding long-term optimal targets for another nine measures for a total of 14 measures with long-term optimal targets out of the 18 measures in the 2014-18 BSC. The following table lists all of the existing and new long-term optimal targets for the BSC measures.

The first five of the nine new measures (i.e. Mystery Shopper, Guest Satisfaction, Guest Opinion about Safety on Premises, Service Component of Guest Satisfaction and Guest Awareness of Responsible Gaming) are related to surveys completed by Insightrix (SaskGaming's external research consultant) on a semi-annual basis. The long-term optimal targets for these measures were developed in 2013 based on statistical significance analysis completed by Insightrix at SaskGaming's request.

Specifically, SaskGaming asked Insightrix to determine what amount of change between surveys represented a large enough change that one can know they are statistically different results. Insightrix's analysis determined the statistical significance ranges from approximately two percentage points to four percentage points depending on the measure.[2]

**SaskGaming's 2014-18 Long-Term Optimal Balanced Scorecard Targets**

| | | 2013 | 2014 BUDGET | | | | |
|---|---|---|---|---|---|---|---|
| MEASURES | TARGETS | ACTUAL | 2014 | 2015 | 2016 | 2017 | 2018 |
| TARGETS DEVELOPED FOR 2013-17 BSC | | | | | | | |
| 1. EMPLOYEE SATISFACTION | 55.0% | N/A | 45.0% | N/A | 50.0% | N/A | 55.0% |
| 2. EBITDA MARGIN | 47.0% | 43.4% | 48.6% | 47.9% | 47.2% | 46.4% | 45.7% |
| 3. DEBT-EBITDA RATIO | 0.25 | 0.38 | 0.15 | 0.13 | 0.10 | 0.09 | 0.09 |
| 4. CAPITAL ASSET TURNOVER RATIO | 2.5 | 1.9 | 2.1 | 2.2 | 2.1 | 2.2 | 2.4 |
| 5. PAYROLL MARGIN | 32.0% | 34.9% | 29.9% | 30.4% | 30.9% | 31.5% | 32.0% |
| TARGETS DEVELOPED FOR 2014-18 BSC | | | | | | | |
| 1. MYSTERY SHOPPER | 90.0% | 93.0% | 90.0% | 90.0% | 90.0% | 90.0% | 90.0% |
| 2. GUEST SATISFACTION | 80.0% | 80.5% | 80.0% | 80.0% | 80.0% | 80.0% | 80.0% |
| 3. SERVICE COMPONENT OF GUEST SATISFACTION | 85.0% | 83.8% | 85.0% | 85.0% | 85.0% | 85.0% | 85.0% |
| 4. GUEST OPINION ABOUT SAFETY ON PREMISES | 85.0% | 86.9% | 85.0% | 85.0% | 85.0% | 85.0% | 85.0% |
| 5. GUEST AWARENESS OF RESPONSIBLE GAMING | 60.0% | 60.0% | 60.0% | 60.0% | 60.0% | 60.0% | 60.0% |
| 6. CORE TRAINING | 90.0% | 38.3% | 60.0% | 80.0% | 90.0% | 90.0% | 90.0% |
| 7. EMPLOYEE ABSENTEEISM | 5.0% | 9.3% | 9.0% | 8.0% | 7.0% | 6.0% | 5.0% |
| 8. PUBLIC OPINION OF COMMUNITY SUPPORT | 50.0% | 48.4% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% |
| 9. ABORIGINAL SPONSORSHIP | 25.0% | 21.1% | 22.0% | 24.0% | 25.0% | 25.0% | 25.0% |

For example, the Guest Satisfaction Survey measure has a plus or minus variance of two percentage points around the mean estimate. The raw score for this measure was 79.6 per cent in Q4 2012 while it 79.2 per cent in Q2 2013. The simple conclusion that the Guest Satisfaction results have worsened between the two periods is accurate.

With a plus/minus variance of two percentage points, the score in Q2 2013 needs to have dropped below 77.6 per cent (or increased greater than 81.6 per cent) to be considered statistically significant. This means the Guest Satisfaction score highlighted in this example really did not change from one report to the next and, therefore, did not actually get worse between Q4 2012 and Q2 2013 (i.e. statistically, the score remained constant).

2. The ranges vary by each measure because of differences in surveys (e.g. Mystery Shopper and Guest Satisfaction Surveys), sample sizes and response rates to questions.

The conclusion to be drawn from this work is that setting small, incremental increases in the targets that use these surveys are statistically meaningless.

Given this, SaskGaming developed long-term, optimal targets for these measures that it believes are statistically significant and drive success for the organization. The corporation decided to expand this thinking to other measures for this year's Balanced Scorecard (the target for each measure is in brackets).

- Mystery Shopper (90%). This target was chosen based on a variance of (+)/(-) three percentage points and that it represents a strong target for staff to consistently achieve.
- Guest Satisfaction (80%). This target was chosen based on a variance of (+)/(-) two percentage points and its historical results at, or near, this target.
- Service Component of Guest Satisfaction (85%). This target was chosen based on a variance of (+)/(-) four percentage points and its historical results at, or near, this target.
- Guest Opinion about Safety on Premises (85%). This target was chosen based on a variance of (+)/(-) four percentage points and its historical results at, or near, this target.
- Guest Awareness of Responsible Gaming (60%). This target was chosen based on a variance of (+)/(-) four percentage points and its historical results both above and below this target.
- Core Training (90%). This target was chosen based on an expectation that, with approximate 20 per cent annual turnover in staff, it will be impossible to achieve 100 per cent compliance with core training.
- Employee Absenteeism (5%). This target was chosen based on historical absenteeism rates. The new Attendance Support Program is anticipated to be able to significantly reduce the absenteeism rates of union employees but will have minimal impact on non-union employees. This is because it is anticipated there will always be some level of absenteeism.
- Public Opinion of Community Support (50%). This target was chosen based on historical results near this target (47%-48%) and the challenge of raising the results further with SaskGaming's program spending in this area being gradually reduced to meet CIC's mandated target on sponsorship expenditures one per cent of Income before Payment to the GRF.
- Aboriginal Sponsorship (25% of total Community Relations budget). This target was chosen because it aligns with the 25 per cent share of SaskGaming's Net Income before Payment to the GRF that is directed to Saskatchewan First Nations through the First Nations Trust.

There are two final points to be made:

1. The values of the long-term, optimal targets on the five measures developed within the 2013-17 BSC were not changed in the process of developing the long-term, optimal targets for the additional nine measures in the 2014-18 BSC.

2. The optimal targets chosen are based on SaskGaming's current business model of slots and table games as well as food and beverage, entertainment and parking as the main ancillary services provided to its guests. In the event this changes, the targets will be re-evaluated.

# Balanced Scorecard Reference Table Appendix

| Measure | Description | Purpose | Methodology | 2013 Target Explanation |
|---|---|---|---|---|
| **Guest Experience Excellence** | | | | |
| **Mystery Shopper Score**<br>**Lead indicator**<br>**Measured quarterly**<br>**Lead: Operations** | Mystery Shopper Score rates casino employees ability to provide customer service related to the following four dimensions of the new GameOn customer service philosophy:<br>• Greeting guests;<br>• Anticipating guest needs;<br>• Meeting guest needs; and<br>• Engaging guests. | Objectively measures service quality provided by casino employees in the opinion of service quality experts. | Measured quarterly, an external consultant conducts a series of transactions with employees to quantitatively and qualitatively measure their service experience against the four service dimensions of the GameOn service philosophy using a five-point scale. The consultant uses a pre-planned checklist of service actions and behaviors to rate each dimension.<br>In total, the Mystery Shopper survey assesses 36 specific staff positions at the two casinos. The target is to complete between 5 and 30 mystery shopper transactions with each of the 36 staff positions.<br>The scores from CR and CMJ are weighted on an 80/20 basis. This rule of thumb reflects the relative importance of each location relative to the total along a number of variables (e.g. revenues, guest count, workforce, populations, etc). | The Mystery Shopper survey was revamped in the 2012-16 BSC to better reflect the Guest Service Excellence philosophy. A target of 90.5% for 2012 was chosen based on initial baseline values of the measure. The 2012 year-to-date actuals for the Mystery Shopper measure exceeded the 2012 target.<br>The Mystery Shopper score is already at a high level. Historically with other surveys, once over the 80% barrier, the score has increased at a decreasing rate.<br>SaskGaming believes this measure is already operating at, or near, an optimal level. As such, SaskGaming believed a target of 94.0% represented a stretch target for this measure. |
| **Guest Satisfaction Survey**<br>**Lead indicator**<br>**Measured quarterly**<br>**Lead: Marketing** | The corporation measures three aspects of Guest Satisfaction: Service, Products and Property. An average score is calculated for CR and CMJ. | Objectively measures guests overall satisfaction with their casino experience. | Exit surveys are conducted on a quarterly basis as guests are leaving the properties.<br>Guests are asked to rate their satisfaction, on a scale of 1 to 10, on a series of questions on employee service, product delivery and property attributes.<br>The scores from CR and CMJ are weighted on an 80/20 basis.<br>This rule of thumb reflects the relative importance of each location relative to a total along a number of variables (e.g. revenues, guest count, workforce, populations, etc.) | The Guest Satisfaction measure was new in 2012 with a target of 81.5% for that year, which was slightly higher than the 80.8% baseline value in 2011 for the measure. Year-to-date actuals in 2012 for this measure are closer to the 2011 baseline than the 2012 target.<br>Guest Satisfaction is already at a high level. Historically with other surveys, once over the 80% barrier, the score has increased at a decreasing rate.<br>Based on the above, SaskGaming maintained its 81.5% target for 2013. |

| Measure | Description | Purpose | Methodology | 2013 Target Explanation |
|---|---|---|---|---|
| **Guest Experience Excellence** | | | | |
| **Guest Opinion about Safety on Premises**<br>**Lag Indicator**<br>**Measured Quarterly**<br>**Lead: Corporate Risk and Compliance** | A measure of casino visitors' opinion of personal safety measures at Casino Regina and Casino Moose Jaw. | SaskGaming is committed to ensuring the safety of our employees and patrons. Security and integrity is a pillar of SaskGaming's Corporate Social Responsibility Framework. | Exit surveys are conducted on a quarterly basis. Guests are asked to rate their satisfaction, on a scale of 1 to 10, with personal safety measures at Casino Regina and Casino Moose Jaw.<br>The scores from CR and CMJ are weighted on an 80/20 basis. This rule of thumb reflects the relative importance of each location relative to the total along a number of variables (e.g. revenues, guest count, workforce, populations, etc). | SaskGaming chose a 2012 target of 88% in the 2012-16 PMP for this measure based on the 2011 baseline value of 87.6%. Year-to-date actuals in 2012 for this measure were below the 2011 baseline than the 2012 target. Based on this outcome, SaskGaming left its 2013 target at 88.0% |
| **Employee Experience Excellence** | | | | |
| **Employee Satisfaction**<br>**Lead indicator**<br>**Measured Bi-Annually**<br>**Lead: Human Resources** | Measures SaskGaming employees' level of satisfaction with their work environment. | The purpose of the survey is to confirm or discover what motivates employees, what drives loyalty and what genuinely keeps employees happy in order to increase staff retention/reduce turnover. | SaskGaming will implement the survey bi-annually. The results will be reviewed by an internal committee to determine the responses and actions that are required.<br>The Employee Satisfaction Survey is based on the National Business Research Institute's (NBRI) employee survey. | Employee Satisfaction was measured at 48% in 2012. Since this is a bi-annual survey, there was no target set in 2013. |
| **Service Component of Guest Satisfaction**<br>**Lead indicator**<br>**Measured Quarterly**<br>**Lead: Operations** | The corporation measures three aspects of Guest Satisfaction: Service, Products and Property. This is simply the Service component of that survey. An average score is calculated for CR and CMJ. | Objectively measures service quality provided by casino employees in the opinion of guests.<br>This measure is a proxy for the effectiveness of SaskGaming's hiring and training programs. | Exit surveys are conducted as guests are leaving the properties.<br>Guests are asked to rate their satisfaction, on a scale of 1 to 10, a specific question regarding the overall satisfaction with the service received from casino staff across 11 areas of service.<br>The scores from CR and CMJ are weighted on an 80/20 basis. This rule of thumb reflects the relative importance of each location relative to the total along a number of variables (e.g. revenues, guest count, workforce, populations, etc). | The Service Component of Guest Satisfaction measure was new in 2012 with a target of 84.5% for that year, which was slightly higher than the 83.7% baseline value in 2011 for the measure. Year-to-date actuals in 2012 for this measure are closer to the 2011 baseline than the 2012 target.<br>Service Component of Guest Satisfaction is already at a high level. Historically with other surveys, once over the 80% barrier, the score has increased at a decreasing rate.<br>Based on the above, SaskGaming left its 2013 target at 84.5%. |

| Measure | Description | Purpose | Methodology | 2013 Target Explanation |
|---|---|---|---|---|
| **Employee Experience Excellence** | | | | |
| **Core Training (New)**<br>**Lag Indicator**<br>**Measured: Quarterly**<br>**Lead: Human Resources** | This measure indicates an average percentage of core training completion across all employees on the six core training modules within SaskGaming's Core Learning Program:<br>• Orientation<br>• Access to Information & Privacy<br>• Health & Safety for New Workers<br>• Diversity and Inclusion in the Workplace<br>• Respectful Workplaces<br>• Responsible Gaming Level I | Objectively measure the share of SaskGaming's workforce who have completed their basic training. Complements the Service Component of Guest Satisfaction measure above, which measures training effectiveness in terms of the quality of service provided to guests. | Core Training is calculated an average across all employees.<br>Individual % = (# of Modules Completed/6) x 100<br>Core Training % = sum of all Individual %/# of employees | 2013 is the first year the Core Learning Program will be fully implemented. The 20% target for 2013 indicates that, on average, each employee will have completed between 1 and 2 of the 6 required core learning modules. This target has been chosen given the corporation's approximately 1,000 employees have not completed most of these modules and there are significant logistical issues involved in training that many people quickly. |
| **Employee Safety**<br>**Lag Indicator**<br>**Measured Quarterly**<br>**Lead: Human Resources**<br>**Note: Measure Discontinued in 2014**<br>**Will continue to be internally tracked as a Key Performance Indicator (KPI)** | SaskGaming's total injury rate is provided by Worker's Compensation Board (WCB) and is based upon the number of reported injuries. It is calculated as the percentage of total injuries per 100 employees. This indicator represents an injury frequency rate whereby the ideal rate is 0%.<br>SaskGaming is benchmarked against other comparable businesses within the same industry (WCB's rate code of S3203 pertains to casino operations and administration among other forms of gaming such as bingo halls), safety charter firms (i.e. businesses that have signed onto WCB's safety program thereby making a commitment to reduce injuries in their respective workplaces) and the province as a whole. | Effective May 2011, SaskGaming implemented its Occupational Health and Safety (OHS) Policy to establish its commitment to maintaining a safe and healthy work environment for its employees. This measure tracks the effectiveness of the program. | Injury Frequency Rate Calculation:<br>Total Workplace Injury Rate = [(Total New Injury Claims Accepted by WCB)/(Total # of Workers covered by WCB)].<br>Notes: the rate is calculated per 100 workers. Additionally, the number of workers is expressed as full-time equivalents, which is calculated by dividing reported payroll by the average weekly wage.<br>The rate is also annualized each quarter to provide a common benchmark for the balanced scorecard. | SaskGaming developed a new OHS program in 2011 to reduce accidents and improve safety. This new program was implemented in 2012. SaskGaming established a 2012 target of a 6.0% injury rate based on a 2011 baseline of a 6.1% injury rate.<br>WCB provides, tracks and measures these data for SaskGaming (and many other organizations as well). WCB implemented a new data collection and tracking system in 2012. However, they have had problems implementing the new system and have been unable to provide injury rate data to SaskGaming.<br>Given this lack of data, and not knowing how effective its efforts in 2012 were, SaskGaming chose a modest decrease in its 2013 target to 5.5% |

| Measure | Description | Purpose | Methodology | 2013 Target Explanation |
|---|---|---|---|---|
| **Employee Experience Excellence** | | | | |
| **Employee Absenteeism**<br>**Lag Indicator**<br>**Measured Quarterly**<br>**Lead: Human Resources**<br>**New Measure in 2014** | This measure indicates the share of employees who are absent from work due to illness with or without pay, injury, leave without pay and pressing necessity. | Excessive absenteeism leads to higher labour costs from increased overtime and/or staffing levels. This measure will be used to track the corporation's progress in reducing absenteeism levels with its new Attendance Support Program. | Employee Absenteeism is a weighted average of absenteeism rates by union and non-union staff.<br>Employee Absenteeism Rate = [(Unionized employees absent hours + Non-Union Employees absent hours)/ (Unionized employees total work hours + Non-Union Employees total work hours)] x 100 | There was no 2013 target since this is a new measure to the BSC in 2014. |
| **Aboriginal Representation**<br>**Lead indicator**<br>**Measured quarterly**<br>**Lead: Human Resources** | This measure focuses our employee attraction and retention efforts to achieve 50% Aboriginal representation as per the framework agreement with the Federation of Saskatchewan Indian Nations (FSIN). SaskGaming also works toward meeting other Saskatchewan Human Rights Commission designated work group targets but the emphasis is placed on Aboriginal representation. | A measure of diversity of SaskGaming's workforce. | Using information from the HR system, a percentage is calculated for each diversity group (number of diversity group employees within a group divided by total number of employees). | SaskGaming's recruitment and retention strategy contains a number of initiatives (e.g. targeted recruitment activities, retention and career development programs, etc.) intended to maintain/increase Aboriginal representation in its workforce. SaskGaming is targeting modest growth in this measure in 2013 to 42.5 per cent. This target is based on direction provided by SaskGaming's Board of Directors, the corporation's plans to increase its Aboriginal recruitment and retention efforts balanced off by labour market and workforce requirement limitations. |
| **Social Responsibility** | | | | |
| **Guest Awareness of Responsible Gaming**<br>**Lag Indicator**<br>**Measured Quarterly**<br>**Lead: Corporate Risk and Compliance & Marketing** | A measure of casino visitors' awareness of the responsible gaming information and support programs we offer. | SaskGaming is committed to offering casino entertainment in a socially responsible manner. This includes providing all guests with information and education about the casino environment so they can make informed, responsible choices about their play. Responsible gaming is a pillar of SaskGaming's Corporate Social Responsibility Framework. | Exit surveys are conducted on a quarterly basis as guests are leaving the properties. Guests are asked "Are you aware of any responsible gaming programs or advertised campaigns support by SaskGaming and Casino Regina/Moose Jaw?" Respondents answer using a 5-point Likert Scale answer format (i.e. respondents choose an answer from 'very aware', 'aware', 'somewhat aware', 'not aware' and 'unsure'). The measure sums all the respondents who indicated they are somewhat aware, aware, or very aware.<br>The scores from CR and CMJ are weighted on an 80/20 basis. This rule of thumb reflects the relative importance of each location relative to the total along a number of variables (e.g. revenues, guest count, workforce, populations, etc). | The Guest Awareness of Responsible Gaming measure was new in 2012 with a target of 62.0% for that year, which was slightly higher than the 60.8% baseline value in 2011 for the measure. Year-to-date actuals in 2012 for this measure were below the 2011 baseline and more than 5% below the 2012 target.<br>Corporate Risk and Compliance is examining improvements to its Responsible Gaming program to improve this measure.<br>Based on the above, SaskGaming aimed at a 2013 target of 60.0% (lower than the 63.0% it was in the 2012-16 BSC). |

| Measure | Description | Purpose | Methodology | 2013 Target Explanation |
|---|---|---|---|---|
| **Social Responsibility** | | | | |
| **Public Opinion of Community Support**<br><br>**Lag Indicator**<br><br>**Measured Annually**<br><br>**Lead: Community Relations** | A measure of public opinion in Saskatchewan of SaskGaming's performance in supporting and giving back to the community. | SaskGaming is committed to enhancing the quality of life for Saskatchewan people. This includes reaching out to communities with support, volunteerism and sponsorship of worthwhile events and organizations. Community support is a pillar of SaskGaming's Corporate Social Responsibility Framework. | As part of an online, web-based provincial survey, respondents are asked "How well is SaskGaming doing at giving back to the community through charitable or community donation and sponsorships"? Respondents answer using a 5-point Likert Scale answer format (i.e. respondents choose an answer from 'very well',' well', 'somewhat well', 'not well' and 'unsure'). The measure sums all the respondents who indicated that the casinos do somewhat well, well, or very well.<br><br>The scores from CR and CMJ are weighted on an 80/20 basis. This rule of thumb reflects the relative importance of each location relative to the total along a number of variables (e.g. revenues, guest count, workforce, populations, etc). | The 2012 actual was erroneously believed to be 57.4%. This exceeded the 2012 target of 46%. Given its reduction of resources devoted to Community Support, SaskGaming believed it would be able to maintain the gains enjoyed this year. Therefore, a 2013 target of 58.0% was chosen.<br><br>It should be noted the wrong value was reported in 2012. The survey results for this measure are segmented into three groups of respondents:<br><br>• Those who have visited a casino in the past 12 months;<br>• Those that have not visited a casino in the past 12 months; and<br>• All respondents.<br><br>The 2012 actual result was erroneously reported as 57.4 per cent based on the results of only those respondents who visited a casino in the 12 months prior to the survey in Q3 2012. The score for all respondents was actually 47.5 percent (note: the 2012 target was 46.0 per cent). SaskGaming set a target of 58.0 per cent for 2013 based on the erroneous result in 2012. The 2012 reporting error was discovered when checking with the survey company on possible reasons for such a large year-over-year decrease.<br><br>The inference is that a lower target would likely have been chosen for 2013 if this reporting error had not been made on the 2012 actual. |
| **Aboriginal Sponsorship**<br><br>**Lag indicator**<br><br>**Measured annually**<br><br>**Lead: Community Relations** | The percentage of SaskGaming's sponsorship expenditures that are directed to Aboriginal individuals, organizations or programs. | SaskGaming is targeting a specific percentage of its annual sponsorship expenditures toward Aboriginal people. The corporation's Community Giving strategy states that it will place a priority on supporting initiatives that positively influence the lives of Aboriginal people, and/or support improved education and pre-employment training for Aboriginal people who reside near its core communities. | Percentage of SaskGaming's total sponsorship and through its Community Giving program that are directed to Aboriginal individuals, organizations or programs. Organizations or programs applying for sponsorships will be asked to identify whether their project/event targets or benefits Aboriginal people. | The Aboriginal Sponsorship measure was new in the 2012-16 BSC. The 2012 target of 19.0% was set based on previous sponsorship activity. SaskGaming exceeded this target in 2012.<br><br>SaskGaming continued with its original trend for targets for this measure established in the 2012-16 BSC in the 2013-17 BSC. Therefore, the 2013 target for Aboriginal Sponsorship was set at 21.0% |

| Measure | Description | Purpose | Methodology | 2013 Target Explanation |
|---|---|---|---|---|
| **Sustainable Corporation** | | | | |
| **Guest Count**<br>**Lead Indicator**<br>**Measured Daily**<br>**Lead: Marketing** | Guest count measures the number of guests visiting CR and CMJ annually. | Guest count measures are used to evaluate the success of attraction programming, including promotions, to establish revenue targets and calculate profitability of Players Club states. | Guest count is calculated/ estimated by sensors in the entrance areas that count the number of times the doors are opened. One guest visiting three times counts as three guests. | As of Q3 2012, the total Guest Count was 2,734,000 (+3.6%) on a year-to-date basis.<br>Guest Count growth was expected to temper in 2013 due to SLGA's anticipated upgrade of its VLT network in 2013 and 2014. This assumption was based on a similar experience in the past when the SLGA updated its VLTs.<br>SaskGaming set its 2013 Guest Count targets at 3% above its 2012 targets based on direction from its Board of Directors. The 2013 targets for Casino Regina and Casino Moose Jaw were as follows:<br>CR: 2,941,800<br>CMJ: 801,200<br>Total: 3,743,000 |
| **Net Revenues**<br>**Lag Indicator**<br>**Measured Quarterly**<br>**Lead: Finance and Administration**<br>**Note: Measure Discontinued in 2014**<br>**Will continue to be internally tracked in the analysis of the 2014 Budget** | A measure of revenue growth over time | Net revenues measure how effective the corporation is at generating after adjusting for promotional incentives to incent guests to increase their guest spend | Net revenues = gross revenues – promotional allowances and internal charges | The 2013 Budget target was $141.5M, which is marginally lower than the $141.6M targeted within the 2012 Budget. This target was crafted upon SaskGaming's plan to increase net revenues in 2013, over 2012 actuals, through additional slot machines in Casino Regina coupled with increased promotional activity to drive higher guest counts at both properties. |
| **Net Average Guest Spend**<br>**Lag Indicator**<br>**Measured Quarterly**<br>**Lead: Operations**<br>**New Measure in 2014** | This is a measure of how much each guest, on average, spends per visit to Casinos Regina and Moose Jaw. This measures $/visit. | The Net Average Guest Spend measure is used to evaluate the success of marketing activities to increase guest spend per visit. Combined with Guest Count, this measure is used to establish revenue targets and calculate profitability of Players Club states. | Net Average Guest Spend = Net Revenues/Total Guest Visits | There is no 2013 target since this is a new measure to the BSC in 2014. |

| Measure | Description | Purpose | Methodology | 2013 Target Explanation |
|---|---|---|---|---|
| **Sustainable Corporation** | | | | |
| **Income before Payment to GRF**<br>**Lag indicator**<br>**Measured Quarterly**<br>**Lead: Finance and Administration** | A measure of profitability over a period of time. | Net income is typically used by investors and lenders as a determination of the firm's profitability. As such, this measure shows income before payment to the Government of Saskatchewan's General Revenue Fund (GRF) since the GRF payment is a distribution of income, similar to dividends being paid by private corporation, and does not reflect SaskGaming's operations. | Revenue – (operating expenses + interest expense + depreciation + taxes). | The 2013 target was $52.8M, which is approximately $800K more than the $52.0M in the 2012 Budget. SaskGaming is expected to generate increased revenue growth from additional slot machines at Casino Regina as well as an increased emphasis on promotional activities. Strong expense management will help limit growth in operating expenses, including increasing the replacement schedule for slot machines from five to seven years. |
| **EBITDA Margin**<br>**Lag indicator**<br>**Measured Quarterly**<br>**Lead: Finance and Administration** | SaskGaming has chosen to use Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) as an operational efficiency measure. | EBITDA margin is used by investors and lenders as a determination of the firm's profitability. | Earnings before indirect expenses divided by revenue expressed as a percentage. | The 2013 target was 47.9%, which is slightly higher than the 2012 Budget. This is due to similar percentage changes in budgeted revenues and expenses. |
| **Debt EBITDA (DE) Ratio**<br>**Lag indicator**<br>**Measured Quarterly**<br>**Lead: Finance & Administration** | This provides an estimate of the minimum length of time it could take SaskGaming to repay its long-term debt from operating income. | It measures the organization's capacity to repay long-term debt on a timely basis.<br>SaskGaming worked with a consultant (HLT Advisory) in determining a number of new financially related measures. The Debt EBITDA Ratio replaces the Debt/Equity Ratio previously used based on the consultant's advice that the Debt/Equity Ratio is not an appropriate metric to measure solvency for the gaming industry in Canada because there is little equity since there is minimal paid-in capital and retained earnings due to government policy. | DE = Long-term debt/EBITDA | The 2013 target was 0.26, a slight improvement over the 2012 Budget target of 0.29. This was based on expected long-term debt repayment in 2013 and no additional debt requirement. |

| Measure | Description | Purpose | Methodology | 2013 Target Explanation |
|---|---|---|---|---|
| **Sustainable Corporation** | | | | |
| **Capital Asset Turnover (CAT) Ratio**<br>**Lag Indicator**<br>**Measured Annually**<br>**Lead: Finance and Administration** | Represents SaskGaming's ratio of revenues to capital assets. | The casino gaming industry is capital intensive. The CAT Ratio measures SaskGaming's effectiveness at generating revenues from its capital assets (investments). | CAT = Revenue/Capital Assets | The 2013 target was 2.1, which is the same as the 2012 Budget target. This was due to the expected level of capital assets changing at about the same as revenue growth, with depreciation of existing assets about the same as planned capital purchases. |
| **Payroll Margin**<br>**Lag indicator**<br>**Measured Quarterly**<br>**Lead: Finance and Administration** | Measures the ratio of payroll to net revenue | Payroll is a significant operating cost of a casino. Payroll margin indicates if the use of payroll is efficient and effective, ensuring the financial success of the operation. | Payroll Margin = Total Payroll/ Net Revenue | The 2013 target was 30.8%, a 0.5 percentage point decrease over the 2012 Budget. SaskGaming's forecasting of 2013 revenues is on par with the 2012 Budget. This, combined with a reduction in salary expense through FTE management, was expected to cause Payroll Margin to decrease in 2013. |

SaskGaming